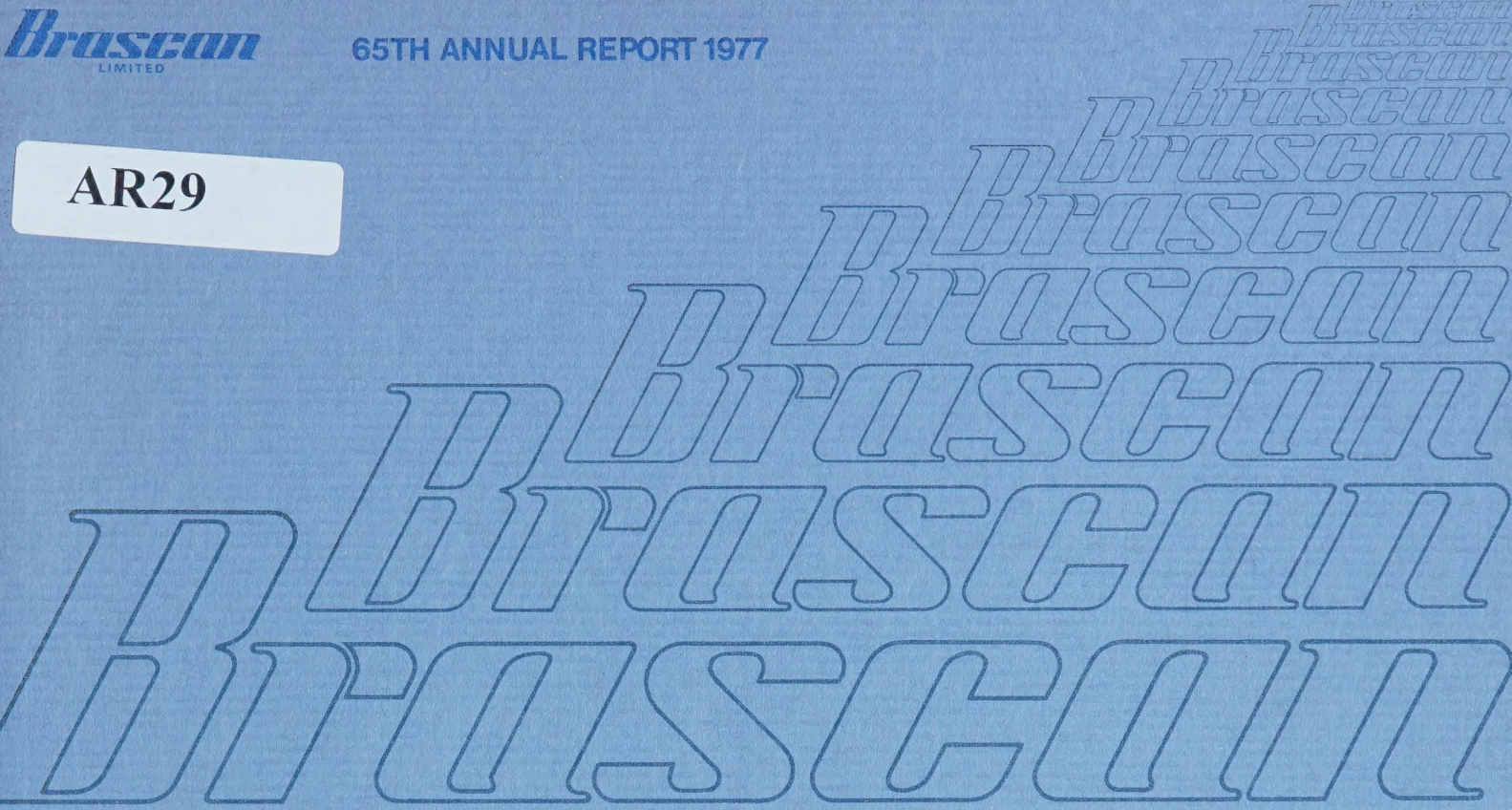


AR29





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Brascan Limited is an investment management company with interests in Brazil and Canada.

In its operations, Brascan is well aware that its future rests not only on the profitability of business operations but also on the social responsibility it assumes for the benefit of its employees and the societies in which it functions.

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Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited.

Highlights

Dollar amounts expressed in U.S. currency	1977 \$ millions	1976 \$ millions
Operating revenues	1,482.8	1,284.1
Income before extraordinary gains	145.2	102.5
Net income for year	151.2	108.0
Funds provided from operations	202.5	149.0
Long-term borrowings	322.4	206.1
Expenditures on property, plant and equipment	299.8	276.6
Dividends	30.8	27.7
Total assets at year-end	2,989.7	2,583.7
Per ordinary share:		
Income before extraordinary gains	\$5.47	\$3.87
Net income for year	5.70	4.08
Dollar component of income before extraordinary gains and, in 1976, Sukunka write down	1.27	1.22
Dividends	1.08	1.00
Average number of ordinary shares (Classes A, B and C) outstanding (millions)	26.0	26.0
Voting shares registered in Canada	66%	59%
Registered shareholders at year-end	41,117	41,365

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Directors' Report

During the year the Company continued to make progress both in terms of financial results and the preparation of a base for future growth.

Consolidated income before extraordinary gains for 1977 was \$145.2 million* (\$5.47 per ordinary share after preferred dividends) compared with 1976 earnings of \$102.5 million (\$3.87 per ordinary share).

In 1977 extraordinary gains of \$6 million (\$0.23 per ordinary share) increased final net income to \$151.2 million (\$5.70 per ordinary share). In 1976 extraordinary gains of \$5.5 million (\$0.21 per ordinary share) increased final net income to \$108.0 million (\$4.08 per ordinary share). The extraordinary gains in 1977 include a gain of \$3.6 million on the sale of the Company's interest in the Australian coal mining operation, Austen & Butta Limited, and the reduction in 1977 income taxes of \$2.4 million as a result of utilizing losses carried forward from prior years.

During 1977 the Brazilian Government's economic policies to reduce the rate of inflation began to take effect. The rate of increase in the wholesale price index dropped for the first time in two years. At the same time exports increased producing a trade surplus while the rate of growth in the economy was 4.7% in 1977 compared to 9.2% in 1976.

The trend in 1977 should continue in 1978 with the same stabilization policies in effect.

The slow rates of growth which characterized Western European, United Kingdom and United States economies in 1977 were accentuated in Canada. The extremely sluggish rate of growth of the Canadian economy last year, caused by low rates of business investment and demand, was accompanied by a continuing high rate of unemployment and deficits in both current account and the balance of payments.

Reduced rates of growth in government spending and restraints imposed by the Anti-Inflation Board

*Dollar figures throughout this report are expressed in United States dollars except where otherwise indicated.

helped to reduce the rate of inflation. As the Canadian dollar weakened, Canada's trade position improved. 1978 should bring a modest improvement in the economy, assuming positive investment decisions are made.

Light

Brascan's principal investment, Light-Serviços de Eletricidade, distributed approximately 41% of the electric energy consumed in Brazil in 1977. Its service area, with a population of approximately 21 million, includes the metropolitan regions of São Paulo and Rio de Janeiro, the country's most highly industrialized areas.

Net electric utility income was \$135.4 million in 1977 compared to \$105.0 million in 1976.

Although the pace of economic activity in Brazil moderated in 1977, the rate of growth of Light's sales in kilowatt hours at 9.9% remained comparable with the 9.7% compound rate of growth over the past 5 years.

To keep pace with demand, Light's capital expenditures totalled \$285 million, up from \$262 million in 1976. Capital expenditures for 1978 are projected to be approximately \$325 million.

Nevertheless, Light continues to face serious problems due to continued growth in demand and the inability to generate internally a reasonable portion of the funds required for capital expansion. This inability, together with the lack of access to sources of funds which are available to other electric utilities in Brazil, has required undue reliance on the shorter-term funds available to Light. These problems have now been further compounded by a rate increase in 1978 which, it is estimated, will produce less than the maximum 12% return on Light's rate base.

Light is continuing to seek from the Brazilian Government the necessary long-term solutions to enable it to carry out its plans to satisfy the service requirements to its customers while fulfilling its responsibilities to creditors and providing a fair return to its shareholders.

Investments in Brazil

In 1977 the investment group in Brazil had net earnings of \$9.6 million compared with \$9.3 million in 1976. In addition, in 1977 extraordinary gains include \$1.5 million representing the reduction in 1977 income taxes as a result of losses carried forward from prior years.

Though operating results improved in a number of sectors in which your Company is involved, certain investments were not as successful as is more fully described on page 13.

Investments in Canada

Net income was \$6.7 million for 1977 compared with \$4.5 million for 1976 before the \$9.8 million write down in respect of the Sukunka coal project. Results for 1977 are after deduction of translation losses of \$2.8 million resulting from the decline of the Canadian dollar against the U.S. dollar.

Brascan Resources' cash flow from operations exceeded its capital expenditures for the first time.

Cash flow from operations increased to \$14.0 million from \$8.5 million in 1976. Expenditures on land purchases, exploration and development totalled \$9.5 million in 1977 (\$8.6 million—1976). Brascan Resources has achieved this level of financial self-sufficiency in five years of operation.

Because of widespread attention given to two Canadian oil and gas exploration plays, it is worth noting that the company has acreage interests in both the Pembina area in Alberta, and in the Hutchinson Block in the Beaufort Sea. Details are given on page 22.

In 1977 the Company made a \$13.1 million investment in Lonvest Corporation, a holding company,

which gave Brascan an indirect interest of 24.4% in London Life Insurance Company. This leading Canadian insurance company is an important addition to the Financial Services sector in Canada.

Board of Directors

Mr. P. N. T. Widdrington, President of John Labatt Limited, and Mr. J. F. Grandy, a former senior Canadian Government official who held a wide variety of major government responsibilities, have been elected Directors of the Company.

Executive Appointments


Mr. A. W. Farmilo was appointed Executive Vice-President. He was formerly President of Brascan Resources Limited.


During the year a senior corporate management group was constituted from the posts of the Chairman, President, Executive Vice-President and Vice-President, Finance. Its function is to review the corporate direction, long-term planning and allocation of resources of the Company.

Management and Employees

On behalf of the Board, we express our appreciation to all employees and management in Brazil and Canada for their dedication and loyalty during the past year in successfully meeting the challenges of change.

On behalf of the Board of Directors,


J. H. Moore
Chairman


E. C. Freeman-Attwood
President

March 21, 1978.

Principal Investment Areas of Brascan

December 31, 1977 in U.S.\$ millions



Total assets

\$2,9

Light

\$2,1

Utility

\$2,1

Light-Serviços de Eletricidade S.A.: 83%

Light distributes electric power in its concession areas which include the cities of São Paulo and Rio de Janeiro.

Figures represent book values of assets at December 31, 1977 as shown in the Consolidated Balance Sheet without deduction of liabilities.

Percentage figures shown represent the Company's interest in each

Brascan Investments in Brazil \$469

Financial Services \$278

Banco Brascan de Investimento S.A.: 100%

In addition to its lending activities, this investment bank participates in money market operations, pension and portfolio management, insurance brokerage, leasing, and consumer financing in Rio de Janeiro, São Paulo, Belo Horizonte, Brasília, Porto Alegre and Recife.

Consumer and Industrial Goods and Services \$55

Cervejarias Reunidas Skol-Caracú S.A.: 41%

This brewing and soft drink concern has breweries in: São Paulo, Rio de Janeiro, Belo Horizonte, Brasília, Londrina, Rio Claro and Santos.

Swift-Armour S.A.—Indústria e Comércio: 41%

The company's operations include cattle-raising, grain production and meat processing with major plants in Livramento, Rosario do Sul and Itinga.

FV—Fábrica Nacional de Vagões S.A.: 31%

The company manufactures railway and automotive equipment, truck trailers and earth moving machinery. It is located in Cruzeiro, half way between Rio de Janeiro and São Paulo.

Brasca—Empreendimentos Florestais e Agrícolas Ltda.: 49%

The company is involved in a land acquisition, clearing and reforestation program. It is located in the State of Santa Catarina, in southeastern Brazil.

Real Estate Development \$45

Brascan Imobiliária S.A. (BISA): 100%

This real estate development company manages all of Brascan's projects in the real estate segment.

Ávea Hotelaria e Turismo S.A.: 60%

This hotel company owns the 500-room Rio Inter-Continental Hotel.

Paranajeiras: 49%

A coastal resort development located midway between Rio de Janeiro and Santos.

Natural Resources \$4

Companhia de Mineração Jacundá S.A.: 60%

An alluvial tin mine in the Territory of Rondonia.

Promisa Mineração e Prospecções Minerais S.A.: 100%

Carries out mineral exploration for tin, gold, diamonds and copper in different regions of Brazil.

Other \$87

Brascan Investments in Canada \$328

Natural Resources \$103

Brascan Resources Limited: 100%

Conducts natural resource exploration, development and production with interests in oil, gas and coal properties in Western Canada, the Arctic and the United States.

Western Mines Limited: 51%

A copper, lead, zinc, silver and gold mining and mineral exploration company.

Consumer Goods and Services \$65

John Labatt Limited: 24%

A major consumer product company with businesses in: brewing, a wide variety of food products; wines and confectionaries; agricultural commodity processing and food services.

Intershoe Incorporated: 100%

A shoe merchandising and distributing company.

Utility \$61

Great Lakes Power Corporation Limited: 99%

Generation and distribution of hydro-electric power in the Sault Ste. Marie area of northern Ontario.

Financial Services \$28

London Life Insurance Company: 24%

A major Canadian life insurance company.

Triarch Corporation Limited: 68%

Provides merchant banking and investment management services.

Other \$71

Review of Operations

The Review of Operations is divided into three sections: Light-Serviços de Eletricidade S.A., Brazilian investments and Canadian investments. Each sector holds different challenges in investment and management as well as earnings growth opportunities.

Income for 1977, before extraordinary gains, amounted to \$145.2 million (\$5.47 per ordinary share after preferred dividends). Extraordinary gains in 1977 were \$6.0 million (\$0.23 per ordinary share) which increased final net income for the year to \$151.2 million (\$5.70 million per ordinary share).

The increase in net income in 1977, compared with the prior year, resulted primarily from improvement

in the earnings of Light. Income from investment and industrial operations in Brazil and Canada continued to increase as illustrated below.

During the year the Company sold its interests in Austen & Butta Limited and Canadian Cablesystems Limited. An extraordinary gain of \$3.6 million (\$0.14 per ordinary share) was realized on the sale of the Austen & Butta shares. The Canadian Cablesystems shares were sold at a price approximately equal to their carrying value on the equity method.

Summary of Consolidated Income Before Extraordinary Gains

Source	1977				1976*			
	Millions		Per Ordinary Share		Millions		Per Ordinary Share	
	Total	Dollar Component	Total	Dollar Component	Total	Dollar Component	Total	Dollar Component
Electric utility—Brazil	\$135.4	\$ 29.2	\$ 5.20	\$ 1.12	\$105.0	\$ 29.3	\$ 4.04	\$ 1.12
Investment and industrial operations								
Brazil	9.6	6.5	.37	.25	9.3	6.4	.36	.25
Canada—normal operations	6.7	6.7	.26	.26	4.5	4.5	.17	.17
	16.3	13.2	.63	.51	13.8	10.9	.53	.42
Income before general corporate expenses	151.7	42.4	5.83	1.63	118.8	40.2	4.57	1.54
General corporate expenses	6.5	6.5	.25	.25	6.5	6.5	.25	.25
Consolidated income before extraordinary gains	145.2	35.9	5.58	1.38	*112.3	*33.7	*4.32	*1.29
Available for—								
Preferred shares	2.8	2.8	.11	.11	1.7	1.7	.07	.07
Ordinary shares	\$142.4	\$ 33.1	\$ 5.47	\$ 1.27	*\$110.6	*\$ 32.0	*\$ 4.25	*\$ 1.22

*Before deduction of the write down of deferred mine development expenditures (\$9.8 million; \$0.38 per ordinary share)

Extraordinary gains in 1977 also include \$2.4 million (\$1.5 million in Brazil and \$0.9 million in Canada) which represents the reduction in 1977 income taxes as a result of applying tax losses carried forward from prior years.

Translation of Cruzeiros to Dollars

Cruzeiro revenues and expenses were translated into dollars in 1977 at the average exchange rate for the year Cr\$14.165 (Cr\$10.692 in 1976) except for depreciation which was translated at the same rate as that used for translation of the related assets. The year-end rate of exchange was Cr\$16.050 as compared with Cr\$12.345 at the previous year end. During the year the external devaluation of the cruzeiro expressed in terms of U.S. dollars was 23.1%, whereas in 1976 the comparable figure was 26.5%. This devaluation contributed to exchange translation losses during the year of \$29.1 million (1976—\$38.5 million).

Dollar Component of Income

Only the dollar component of net income received by the parent company is available for corporate purposes and the payment of dividends. The dollar component of income is summarized on the opposite page and is further analyzed on page 32.

Under Brazilian law foreign capital is eligible for registration with the Central Bank of Brazil and companies may remit dollar dividends which, after deduction of a 25% withholding tax, do not exceed 12% of their registered capital, averaged over the preceding 3 years (see note 3 to the Financial Statements page 39.)

During the year the Company received substantially all dollar amounts to which it was entitled within existing registrations.

The Company has three capital registrations: Light, approximately \$209 million (47.7% of the Company's direct shareholding), and two Brazilian holding companies totalling approximately \$52 million. Each of these registrations requires a separate flow of earnings to support dividends.

Based on present registrations in Brazil, there is a dividend potential from Light of \$25 million and \$6 million from the two investment companies, for a total of approximately \$31 million.

The Company's objective is to produce earnings which will permit it to realize its dividend potential and to increase the registered base through reinvestment of eligible earnings in excess of remittances.

Dividends

During the year, in addition to dividends on preferred shares, the Company paid four quarterly dividends of U.S. \$.25 each as well as an extra dividend of U.S. \$.08 on its ordinary shares.

The Company's objective, as stated last year at the Annual Meeting, is that the dollar dividends received from Light and the Brazilian investment companies, together with 50% of the net income earned outside Brazil, will be applied first to pay corporate expenses and preferred dividends and then to pay the balance as ordinary dividends. On the basis of present trends, this objective should be achieved within the next three years.

It should be noted that the Company's dividend policy is re-examined on a regular basis.

Brazilian Economy

In 1977 the Gross Domestic Product of Brazil reached \$165 billion. Its growth over 1976 was 4.7%, led by an agricultural expansion of 9.6% with industrial production increasing by 3.9%.

As in previous years, the government's economic policy was conditioned by the necessity of improving the trade balance and of reducing the inflation rate. Although the increase of the Rio de Janeiro cost of living index was only slightly lower than in 1976, the more significant wholesale price index increased by 35.4% as against 44.9% in 1976.

Foreign payments

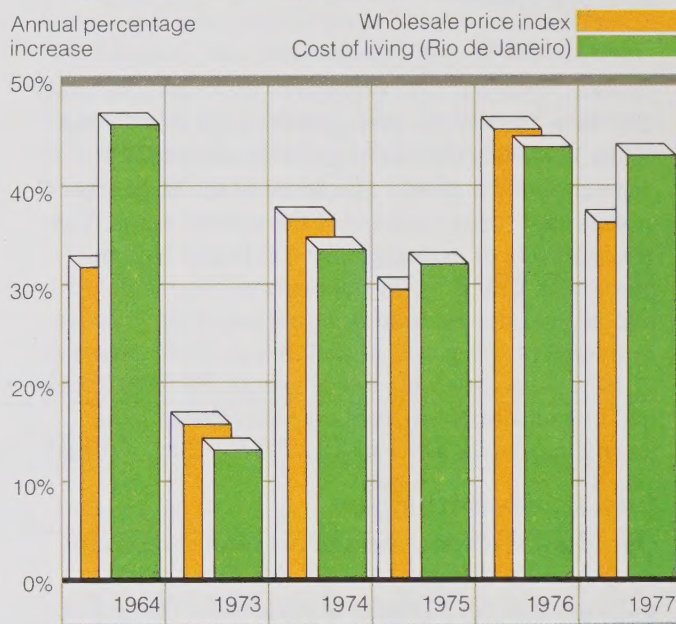
There was a considerable improvement in the trade balance, with the achievement of a surplus for the first time in several years. This surplus, estimated at around \$140 million, represents a sharp change from the 1976 deficit of \$2.2 billion. Although high international commodity prices helped exports, with coffee sales alone exceeding US\$2.6 billion, the growth of exports generally has been encouraging.

For the last ten years the value of exports has grown at an average compounded yearly rate of 22.0%. In 1977 exports were 19.8% above 1976. While exports have been increasing at a high and sustained rate, imports in the last four years have been held constant around \$12 billion.

Brazilian foreign currency reserves increased during 1977 and reached an all time peak in December at \$7.2 billion as against \$6.4 billion at the end of 1976. Foreign debt of \$30.0 billion at December 31, 1977 increased by an estimated \$3.5 billion, significantly less than the 1976 increase of \$5 billion.

In 1977 the current account deficit in the balance of payments was \$4 billion. The net inflow of foreign investment and loans, which reached almost \$5 billion, was more than enough to finance the current deficit with the excess used to increase foreign currency reserves.

Wholesale Price Index and Cost of Living Index in Rio de Janeiro



Source: Ministry of Planning

Production

The improved performance of the agricultural sector in 1977 can be explained by the recovery of the coffee crop from the effects of the 1975 frost. Coffee production increased by 168% by weight in 1977. Other important crop weight increases were cotton up 51.5%, tobacco 18.8%, sugar cane 16.0% and soybeans 11.5%. However, the wheat crop decreased 29.4% by weight.

Since about 70% of export revenue comes from agricultural products, the performance of the agricultural sector has been very important in expanding sales abroad and in improving the balance of payments. In 1977 Brazil became the world's second largest agricultural exporter, after the United States, with sales of \$8.4 billion, including processed foodstuffs.

Trade Balance

US\$ million

YEARS	Exports	Imports
1973	6,199	6,192
1974	7,968	12,641
1975	8,670	12,169
1976	10,130	12,277
1977*	12,137	11,998

*Preliminary

Source: Central Bank

Industrial output expanded more slowly in 1977 than in 1976, reflecting the anti-inflation policy and continuing import restraints. Some sectors showed a reduction in production, notably the capital goods

Principal Exports

US\$ million

	1973	1974	1975	1976	1977*
Manufactured goods	2,040	3,246	3,434	3,615	4,889
Coffee	1,344	1,002	935	2,399	2,642
Soya and products	950	890	1,305	1,778	2,141
Iron ore	363	571	921	995	908

*Preliminary

Source: Bank of Brazil

and metal fabricating industry (−5.2%), automotive manufacturing (−3.0%) and mining (−4.7%). The metallurgical and chemical sectors kept relatively high rates of growth, 8.2% and 7.0% respectively, due to maturing of past investments in steel and chemical plants. The beverage industry increased its output by 14.0% and food processing by 6.6%. Another area which showed a relatively fast growth was general construction 9.1%, due to continuing investments in housing and in electric generating plants.

In 1978 indicated government policy is that anti-inflationary measures will continue to receive top priority, while the government attempts to expand exports and hold import levels constant.

Light-Serviços de Eletricidade S.A.

The Company's principal investment in Brazil is Light-Serviços de Eletricidade S.A.

Brascan has an 83% interest in Light and the remaining minority interest is held by Banco Nacional de Desenvolvimento Econômico (BNDE) 8.5%; Centrais Elétricas Brasileiras S.A.—Eletrobrás 0.2% and the Brazilian public 8.3%.

Electric Operations

Net electric utility income was \$135.4 million compared with \$105.0 million in 1976. This increase is due primarily to growth in the rate base during the year as more fully discussed under the headings of "Capital Expenditures and Financing" and "New Legislation and Regulations". Net income includes a profit of \$8.7 million realized on the sale of surplus real estate during the year.

In 1977, Light sold 35.5 billion kilowatt hours, an increase of 9.9% over the preceding year. Industrial consumption increased by 11.1% over the previous year and constituted 52.6% (52.1%—1976) of total energy billings. This increase was achieved in spite of the reduced level of growth of economic activity during the year. The number of consumers increased 4.6% to 4.4 million at year-end. Light purchased 76.6% (71.1%—1976) of its energy requirements from government owned generating companies.

Rates

The regulatory system, known as service at cost is described on page 26 under the heading of "Electric Utility Operations—Brazil, Revenue Recognition". Effective January 1, 1977 Light was granted an average rate increase of 36%. Initially, Light estimated that this increase would not be adequate to provide the maximum 12% rate of return on the rate base.

As a result of discussions, the regulatory authorities reduced certain components of cost of service (purchased power and reversion), over which they have direct control. Later in the year, as revenues exceeded estimates, certain of these reductions were eliminated.

After giving effect to the above, together with those changes described under the headings of "New Legislation and Regulations" and "Monetary Correction", and after including in revenues \$12.8 million of surplus revenues deferred from prior years, Light is deemed to have earned a 12% rate of return on its rate base. As at December 31, 1977 Light had a balance of surplus revenues of \$17.1 million deferred from prior years, which will be carried forward to future years.

Light was granted an average rate increase of 32%, effective January 1, 1978, which is estimated to fall short of the increase required to provide a 12% return on the rate base.

Light is making representations to the authorities seeking adjustments to enable it to generate the income and cash flow required to sustain the capital program essential to satisfy the continuing substantial growth in its service area.

Capital Expenditures and Financing

Capital expenditures during the year totalled \$285 million as compared with \$262 million in 1976. The 1977 expenditures were greater than planned due to remedial work on the Guarapiranga dam in the São Paulo system, resulting from abnormally heavy rainfall in 1976, and because increases in the cost of construction and equipment were greater than expected.

After allowing for the cost of servicing capital, including debt repayment, Light only generated internally approximately 12% of the funds required to finance its capital program.

During the year, Light had its first two public bond issues, both of which were in European markets, led by Westdeutsche Landesbank, guaranteed by the Federative Republic of Brazil and had 5 year terms.

The first of these issues was for DM100 million in February. The second was for \$50 million in September.

Westdeutsche Landesbank also led a syndicated bank loan for \$150 million, the proceeds of which were received in December 1977. This loan was also guaranteed by the Federative Republic of Brazil and has an average life of 5 years with the final maturity in 8 years.

In addition, Light borrowed \$20 million from the Bank of Montreal for an 8 year term with an average 5 year life.

With the improvement in the Brazilian balance of trade, the moderating pace of inflation in Brazil, and the continued supply of capital internationally, the

markets were more receptive to Brazilian borrowers in 1977. Light, supported by the guarantee of the Brazilian government, benefited from these trends which appear to be continuing in 1978 with further improvement in terms.

Light's capital expenditures for 1978 are estimated to be \$325 million. For the four years 1974-1977, capital expenditures exceeded \$1.0 billion. This program has been a major factor in facilitating the growth and development of the São Paulo—Rio axis which is leading Brazil in its development as a modern industrial nation. The Light system is a vital link in the electric sector between the substantial hydroelectric resources of Light's principal energy suppliers, CESP and Furnas, and the consumers in the São Paulo—Rio market.

Over the past few years, the transmission systems in adjacent areas have been interconnected with the Light system to improve service throughout the South-East region of Brazil. Light has introduced new technology to improve system reliability and minimize costs.

After a long period of relative stability in rate regulation, a series of changes was introduced commencing in 1975, which sharply reduced Light's ability to generate internally a reasonable portion of the funds required for its capital program.

Light must collect from its customers substantial taxes and other levies on behalf of the government which in 1977 amounted to \$454 million. These funds are paid to the government or its agencies for use in the electric sector to provide for capital expenditures or to subsidize operations. Light does not have access to these funds.

Light has been increasingly dependent on the relatively short-term funds available in international capital markets to finance its construction program. Repayments on these loans are now commencing and in 1978 they will increase to \$74 million from \$23 million in 1977.

Light continues to make representations to the Brazilian authorities to ensure that they are fully aware of the ongoing and ever increasing problems which the company faces and of the need to find definitive solutions thereto so as to permit it to maintain adequate service under conditions of financial equilibrium.

New Legislation and Regulations

Corporate Law

The new Brazilian Corporation Law became effective in 1977 and Light has taken the steps required to comply with this legislation. This new law represents the first major revision to such legislation in 40 years and is in keeping with Brazil's intent to broaden and strengthen its capital markets in support of its growth as an industrial nation.

Monetary Correction

Changes in income tax legislation have been enacted to bring it into harmony with the new corporation law.

A significant change in tax law provides for the monthly monetary correction (adjustments recorded to mitigate the effects of inflation) of the cruzeiro values of fixed assets and related depreciation commencing in 1978. As part of this change, taxpayers had the right to record a special monetary correction in 1977. This change was designed to offset the lag which previously existed whereby additions in any one year were not monetarily corrected until the second following year.

As permitted by new tax legislation, in 1977 Light calculated a special monetary correction of plant in service which, when combined with a new system of monetary correction of accumulated depreciation, had the effect of substantially increasing net plant in service. The impact on net electric utility income in 1977 was an increase of \$5.3 million. Neither the timing nor the treatment to be accorded by the authorities to this new system of monetary correction for rate purposes is yet known.

Depreciation

In establishing rates for 1978, the depreciation charge for distribution plant in service has been increased from 3% to 4% per annum. This will increase Light's internal cash generation in 1978 by approximately \$12 million.

Foreign Loans

In November the Central Bank issued a new regulation which enables companies borrowing abroad to place the proceeds of such loans on deposit in the foreign currency with the Central Bank until such time as the borrower requires the funds. The Central Bank reimburses the borrower for its interest cost and related withholding taxes applicable to the period during which such funds are on deposit.

Previously such funds were converted to cruzeiros when the loan proceeds were received and invested in short-term securities until required. Under normal circumstances the return on such securities usually approximated the exchange loss due to devaluation of the cruzeiro. This new regulation is of benefit to Light and to the Central Bank in its role of regulating the Brazilian money supply.

10 Year Growth of Plant in Service

The table below shows that over 60% of Light's distribution and transmission facilities are less than 10 years old.

	1977	1967
Distribution—		
Stations—MVA	8,755	2,993
Transformers—MVA	7,682	2,825
Lines—km of wire	331,024	168,592
Transmission—		
Circuits—km	5,803	4,041
Stations—MVA	4,785	1,435

MVA—megavolt amperes

Investments in Brazil

Investment	December 31	
	1977	1976
	(millions)	
Financial services	\$277.6	\$205.9
Consumer and industrial goods and services	54.9	45.1
Real estate development	44.9	31.4
Natural resources	4.1	4.6
Other assets	87.4	81.9
Total assets	\$468.9	\$368.9
Brascan equity	\$257.7	\$197.2

Investments in Brazil produced income of \$9.6 million in 1977 compared to 1976 income of \$9.3 million.

In 1977, all operations with the exception of Swift-Armour reflected positive results, not only in terms of earnings, but also in the building of potential for future growth. Swift-Armour's problems, as described later in this section, are attributable to the worldwide structural problem of the meat processing industry and domestic conditions in Brazil.

FINANCIAL SERVICES

Income before taxes of the financial services segment for the year ended December 31, 1977 was \$9.3 million (1976—\$7.9 million). Total assets amounted to \$277.6 million, an increase of 34.8% over the previous year. Loans contracted during the year were \$259.1 million, compared to \$180.5 million in 1976.

During the year, lending activities were strongly influenced by the Brazilian Government's efforts to curb inflation by reducing the pace of economic

Income	December 31	
	1977	1976
	(millions)	
Income (loss) by segment before unallocated expenses:		
Financial services	\$ 9.3	\$ 7.9
Consumer and industrial goods and services	6.5	8.4
Real estate development	1.9	2.2
Natural resources—		
Mining operations	0.8	0.2
Mineral exploration	(5.2)	(2.2)
Interest under telephone sale agreement	2.9	3.2
Other income—net	8.5	0.9
	24.7	20.6
Discontinued operations		(1.5)
Net loss on disposals		(1.5)
	24.7	17.6
Expenses not allocated by segment:		
General and administrative	(7.7)	(6.2)
Income and withholding taxes	(7.4)	(2.1)
Income	\$ 9.6	\$ 9.3

activity and by restricting the growth of money supply. This resulted in decreased demand for credit accompanied by increased competition from commercial banks which ultimately decreased interest rates and margins.

Money market operations continued to grow, both in amount traded and number of clients. Total revenue reached \$13.3 million, from \$11.2 million in the previous year. Last year Banco Brascan became more active in the underwriting field.

A further step toward improved market coverage was the opening by Banco Brascan of the Belo Horizonte branch, in the State of Minas Gerais. This supplements the network of offices in Rio de Janeiro, São Paulo, Porto Alegre in the south, Brasília, the capital and Recife in the northeast.

At year-end the total market value of investment funds and portfolios managed was \$21.5 million, compared to \$11.5 million at the end of 1976. Some 41 individual and institutional portfolios are under Banco Brascan's management (34 in 1976), the latter mostly represented by insurance companies, pension funds and private firms.

The appreciation of investment funds and portfolios under the Bank's management exceeded the stock market indices by a substantial margin for an overall performance rating on a par with the leaders in the market.

In spite of the very modest growth of commercial activity, the loans granted by the consumer financing subsidiary increased to \$23.5 million from \$15.3 million in 1976. Leasing operations, conducted by Brascanlease, amounted to \$7.1 million (1976—\$5.2 million).

Brascan Corretora, the insurance management and brokerage firm, continued to add to its list of clients.

CONSUMER AND INDUSTRIAL GOODS AND SERVICES

Skol-Caracú—Brewing

For the year ending December 31, 1977 Skol-Caracú, Brazil's third largest brewing company, increased its volume by 24%. Sales rose from \$71 million in 1976 to \$82 million in 1977.

In February 1978, Skol-Caracú opened a 1.2 million hectolitre brewery in São Paulo which increased Skol's total brewing capacity to 3.4 million hectolitres per annum.

This enables the company to engage in more aggressive marketing in São Paulo, Brazil's largest market, and is expected to increase overall profitability by eliminating the costly freight charges from the company's other brewery locations to the São Paulo market.

Marketing strategy continues to support "Skol" lager in bottles and cans. The popularity of the traditional dark beer, "Caracú" is also increasing in many segments of the market.

The São Paulo brewery is the first major step in a long-range expansion plan to meet the growing demand for beer in Brazil, a demand which is conservatively estimated to grow in excess of 7% per year. Expansion of the Skol breweries in Belo Horizonte and Londrina, will be completed in 1978, as part of a continuing program of brewery modernization and expansion.

Although brewery products provide the major potential for growth and profitability, the company's soft drink line under the Skol trademark has doubled sales over the past year. This line benefits automatically from advertising promotion and distribution of Skol's brewery products.

As part of the company's continuing program to lower costs and reduce dependence on foreign sources of supply, Skol-Caracú is engaged in a program to improve local strains of barley suitable for malting. At present, malt is imported from Argentina, Chile, Uruguay and Western Europe.

Swift-Armour—Food

Brascan's share of Swift-Armour income was down from \$3.9 million in 1976 to \$3.1 million for 1977.

The 1977 results include a profit of \$2.5 million from the sale of a cattle ranch.

Because of adverse export trading conditions, the company was able to sustain only a marginal profit on operations in 1977, with volumes declining toward year-end. Sales for the year ended December 31, 1977 were \$136.8 million as compared to \$154.7 million in 1976.

Common to all large meat processors, Swift-Armour supplies both fresh and processed meat markets. Historically, Swift-Armour has been a major exporter of canned corned beef and frozen cooked beef to the United States and Europe. Increased beef production in the company's traditional beef markets in the European Economic Community and a resistance to imports from Latin America forced Latin American producers to turn their attention to the U.S. market. Swift-Armour has been faced with new and aggressive competition from Uruguay and Argentina in that market resulting in a lower price structure.

Swift-Armour has always been a supplier of fresh meat to the Brazilian domestic market. However, government controls on prices to be paid farmers for beef cattle and on prices at which fresh meat may be sold in the domestic market, produced unfavourable operating margins.

The third segment of the company's business is branded consumer processed food for the domestic market. Results in the past year were disappointing.

In 1978, the operation of a soup plant was started on a joint venture basis with the Campbell Soup Company of the United States. The new company, 65% owned by Campbell Soup Company and 35% by Swift-Armour, introduced a line of canned soups

to Brazilian consumers. This investment in a new Brazilian consumer product area follows a lengthy test marketing program.

FNV—Heavy Manufacturing

In 1977, sales were \$74.8 million, a reduction from \$94.2 million in 1976. Last year FNV delivered less than half the number of railroad cars delivered in 1976 as a direct result of the reduced level of government expenditures in that sector.

Despite these difficulties, sales were maintained at approximately 80% of the 1976 level which can be attributed to FNV's other product lines including automotive parts. Gross profit margins were also increased over 1976.

The principal areas of the company's business are railroad rolling stock, truck and bus chassis frames and wheels and stamped parts for the country's automotive industry.

In its program to seek further areas of diversification, the company has entered into a joint venture with Brown and Roots, Inc. of Houston, Texas, a major worldwide supplier of offshore drill rig engineering components. The new company, Martec, is offering Petrobras, the Brazilian national oil company and other international oil companies, engineering components for their Brazilian offshore exploration programs.

Embrasca—Forest Plantation

This land acquisition, clearing and tree planting program in the State of Santa Catarina, in south Brazil, was started in 1974 on a joint venture basis with MacMillan Bloedel Limited of Vancouver, Canada.

Tree planting operations are financed by funds obtained from local investors using a Brazilian Government tax incentive program. Under this program the investors own 70% of the trees, while Embrasca owns the land and the right to 30% of the trees and has an option to purchase the trees owned by the incentive investors.

By the end of 1977, Embrasca had purchased 76,000 hectares since the start of operations in 1974. The plan is to acquire 84,000 hectares of land and to have 50,000 hectares cleared and reforested by 1983.

Most of the plantation has been based on the development of long-fibre woods, such as the Elliotti and Taeda Pine. Experiments are also being carried out with long-fibre Caribbean Pine. The rapid rate of tree growth in Brazil provides economic advantages over trees grown in northern climates.

This forest is expected to reach maturity in nine to twelve years depending upon the ultimate industrial use of the wood produced. Studies are continuing on a variety of end use applications.

REAL ESTATE DEVELOPMENT

Brascan Imobiliária S.A. (BISA)

In January, 1978 Brascan organized the management of its various real estate development projects under one company called Brascan Imobiliária S.A. (BISA) in order to participate more effectively in the Brazilian real estate market.

BISA has assumed the management of Brascan's real estate activities in Brazil including: São Conrado Green in Rio de Janeiro, Villa Maria and Villa dos Coqueiros in Salvador, and Laranjeiras near Paratí. In addition, BISA will provide management expertise and services to Brascan on other real estate matters, and on joint ventures it may constitute to carry out its development projects.

BISA is currently investigating two shopping centre projects: the São Conrado complex in Rio de Janeiro and the Baixa do Sapateiro complex in Salvador. Additional new projects are also under examination, and a land bank for future projects is being established.

Laranjeiras—Resort Development

The Laranjeiras resort development situated on the coast midway between Rio de Janeiro and Santos has been completed. The development includes beaches, a golf course, marina, tennis court, swimming pool and club house. An aggressive marketing program is underway to sell lots to potential resort home owners and developers.

São Conrado Green

The construction of the São Conrado Green five-tower condominium apartment complex, situated on land adjacent to the Rio Inter-Continental Hotel, has now been completed. Occupancy has commenced and all units have been sold. Brascan's share of pre-tax profit was \$6.7 million which has been brought into account over a 3 year period.

Gávea Hotelaria

The 500-room Rio Inter-Continental Hotel on Gávea Beach, Rio de Janeiro had high rates of occupancy in 1977, and operated on a profitable basis.

Canadian Economy

NATURAL RESOURCES

Jacundá—Mining

In 1977 Jacundá, the Company's alluvial tin mine in northwest Brazil maintained approximately the same level of production as in 1976 at slightly under 400 metric tons of fine tin. Gross revenues from Jacundá for the year ending December 31, 1977 were \$4.3 million compared to \$3.1 million in 1976. Firm tin prices assisted in increasing the level of profitability.

During 1977 the exploration drilling program in the Jacundá area indicated additional ore reserves. Plans are now under way to bring portions of these reserves into production late in 1978 and to intensify further exploration programs.

Since the year end the Company has increased its ownership of Jacundá from 60% to 93%.

Promisa—Mineral Exploration

Promisa is engaged in exploration throughout Brazil for alluvial mineral deposits, particularly tin, gold, copper and diamonds.

Evaluation of alluvial diamond deposits in the Alto Paraguai area is continuing.

Exploration expenditures increased to \$5.2 million in 1977 from \$2.2 million in 1976.

The Canadian economy experienced sluggish growth in 1977 (2.6% in real terms) and continued to perform below its potential. Both real growth and productivity declined from the previous year; the government deficit and the unemployment rate rose. These conditions did not provide an atmosphere of confidence in which the private sector could undertake expansion. Although costs have shown some improvement, continued moderation by all segments of society will be necessary if Canada is to regain international competitiveness.

In 1977, the unemployment rate increased from 7.2% to almost 8.2% of the labour force and is particularly severe in the younger segment of the population. Given the expected rate of growth in the economy in 1978, employment opportunities are not expected to accommodate the rapid growth of the labour force.

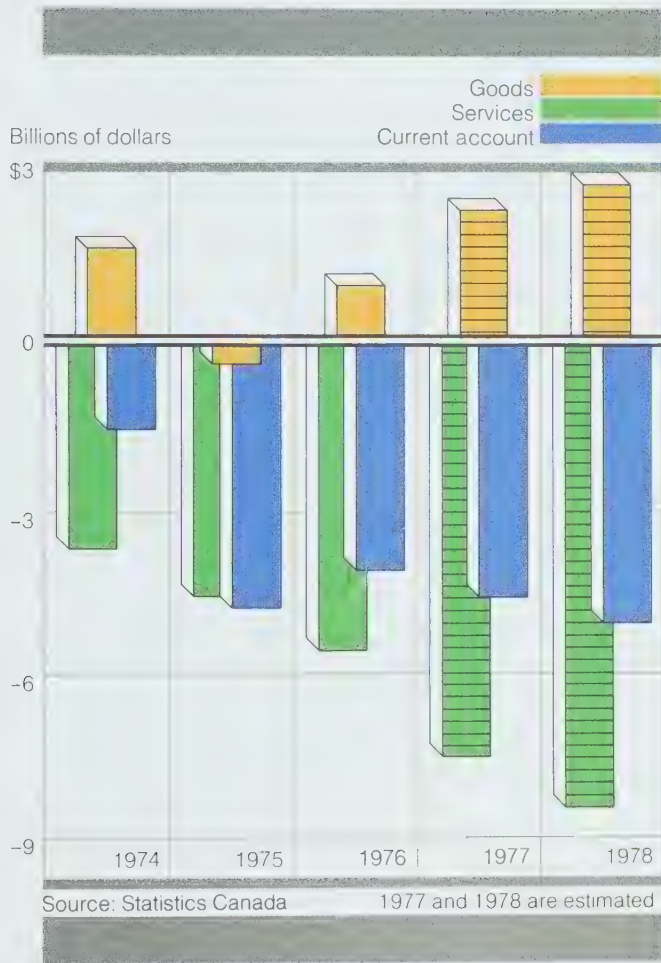
Aggregate Demand

In 1977 the consumer sector was a major disappointment to the economy as a whole. From an annual growth rate of 17% in 1974, the increase in consumer spending dropped to 10.3% (a level of Can. \$121.9 billion) in 1977.

Business investment continues to languish with excess capacity and sluggish retail sales growth. In 1977, reflecting decreased investment in machinery and equipment, constant dollar business investment rose by only 0.7% to Can. \$16.5 billion.

Canada's trade position improved substantially in 1977, largely as a result of the improving economies

Canada—Balance of Payments



of the U.S. and Japan and the decline in the Canadian dollar. Canadian lumber exports to the U.S. reflected the boom in housing starts in the U.S., while growth in automobile exports coincided with a dramatic rise in U.S. domestic sales.

Overall, Canada's merchandise exports rose from Can. \$37.9 billion in 1976 to Can. \$44.6 billion in 1977, an increase of 10% in real terms. Imports of merchandise rose from Can. \$36.9 billion to Can. \$41.7 billion; in real terms, this jump represents an increase of only 1.1%. In 1978, the growth of Canadian lumber and automobile exports to the U.S. will moderate. However, given the decline of the Canadian dollar to below U.S. \$0.90, total exports of goods should continue to expand. Similarly, merchandise import growth will be inhibited by the lower dollar and an overall surplus for merchandise trade is expected again.

The situation is quite different on the service account. In 1976 Canada exported Can. \$7.4 billion in services while importing some Can. \$13.2 billion, for a deficit of Can. \$5.8 billion. This results mainly from foreign travel and payments of dividends and interest on foreign capital.

In 1977 the deficit on service account was Can. \$7.5 billion and is expected to continue at this level for some time. The service deficit clearly exceeds the trade surplus, hence, Canada's persistent deficit on current account.

The dollar reached a high point in 1976, as a result of an inflow of long-term capital amounting to

Can. \$7.9 billion. For 1977, this inflow was reduced to Can. \$4.3 billion and a further reduction is expected in 1978.

In the public sector, the level of aggregate government (combined federal, provincial and local) expenditure on current goods and services and on capital formation approached Can. \$49.8 billion in 1977. This figure represents an increase of 8.1% over the previous year. As a result of increasing transfer payments to individuals and provinces and for debt service, the federal deficit has also grown. In fiscal 1977, federal cash requirements were Can. \$8.8 billion in excess of revenue; in fiscal 1978, this figure is expected to rise to Can. \$11 billion.

The rate of inflation declined during the year from a level of 9.5% in 1976 to 6.6% in 1977. In light of the lower value of the Canadian dollar and the end of price and wage control by the Anti-Inflation Board, the level of prices could increase by a further 7% in 1978.

The outlook for the Canadian economy in 1978 is one of improved, but still modest, performance. The export sector will be the main source of strength arising from an expanding U.S. economy.

Although the prospects for growth in capital spending, other than in the energy sector, and for reductions in unemployment are poor, GNP is expected to increase by 4% in real terms.

Investments in Canada

Investment	December 31	
	1977	1976
	(millions)	
Natural resources	\$102.4	\$105.2
Consumer goods and services	65.1	76.2
Electric utility	60.8	61.6
Financial services	28.4	14.3
Other assets	71.0	90.7
Total assets	\$327.7	\$348.0
Brascan equity	\$174.1	\$154.8

The Company's Canadian investments continued to show positive earnings results, growth in cash flow and the building of potential for further growth.

Results from operations improved to \$6.7 million in 1977 from \$4.5 million in 1976, before the \$9.8 million write down of Sukunka.

Despite a successful year, earnings from Canadian investments suffered from the decline in value of the Canadian dollar against the U.S. dollar. Exchange losses on translation totalled \$2.8 million in 1977 compared to \$0.3 million in 1976.

NATURAL RESOURCES

Brascan Resources Limited

Oil and Gas Operations

Income before interest and taxes for the year ended December 31, 1977 was \$10.7 million compared to \$5.7 million for 1976. Income from the Oil and Gas Division reflected the continuing strong growth of the energy sector in Canada. Cash flow from operations increased from \$8.5 million in 1976 to \$14.0 million in 1977. For the first time cash flow exceeded the cost of the oil and gas exploration program of \$9.5 million for the year.

As a result of the success of the exploration and development program, and the temporary oversupply of natural gas in western Canada, Brascan Resources has approximately 67 billion cubic feet

Income	December 31	
	1977	1976
	(millions)	
Income (loss) by segment before unallocated expenses:		
Natural resources—		
Oil and gas operations	\$10.7	\$ 5.7
Mining operations	0.8	2.7
Mineral exploration	(1.8)	(2.8)
Consumer goods and services	4.5	6.5
Electric utility	5.4	5.5
Financial services	0.7	(0.1)
Other income—net	2.4	3.0
	22.7	20.4
Expenses not allocated by segment:		
Interest on long-term debt	(11.4)	(11.2)
Minority interest	(0.7)	(2.4)
Income taxes	(3.9)	(2.4)
Income	\$ 6.7	\$ 4.5*

*Before Sukunka write down

(Bcf) of shut-in gas reserves in Alberta. It is expected that in the next few years contracts will be placed to put these reserves into production.

Natural gas sales of 14.8 Bcf for the year were 40% ahead of 1976. Due to the present oversupply of natural gas it is difficult to obtain new sales contracts. This oversupply is the result of a number of factors: competition from fuel oil, a drop in industrial activity in eastern Canada and government policy of limiting gas exports to the U.S.

Oil and natural gas rights owned by the company and its affiliates decreased to 10.7 million gross acres from 12.1 million primarily because of land

surrenders. Brascan's net interest at year end was 2.9 million acres, the same as at year end 1976.

At December 31, 1977, estimated recoverable oil and gas reserves were as follows:

	Crude oil and natural gas liquids	Sales gas
	(millions of barrels)	(billions of cubic ft.)
1977	2.7	275.5
1976	2.9	253.6

New discoveries of natural gas in 1977 are estimated at 36.4 Bcf. A net increase in proven reserves of sales gas of 21.9 Bcf was achieved after deduction of 1977 production and adjustments in previously discovered reserves.

Production

During 1977 gas plant capacity was increased from 50 to 70 million cubic feet per day. Natural gas production showed a corresponding increase from 10.6 Bcf to 14.8 Bcf. Gross sales of the Oil and Gas Division were \$17.3 million in 1977 compared to \$10.3 million in 1976.

Exploration

The company participated in drilling 69 gross wells during the year for a 64% success ratio.

	Oil	Gas	Dry	Total
Gross wells	1	43	25	69
Net wells	1	22.6	14.5	38.1
Royalty	—	12	14	26

The company holds an interest in 131,800 gross acres in a geological area favourably located for a northeastern extension of the West Pembina Nisku oil play in Alberta. The western edge of this acreage lies approximately 15 miles northeast of the nearest known oil discovery.

The acreage is randomly checkerboarded and covers an area of approximately 1,600 square miles. The

company holds a 9% gross overriding royalty on the major portion of this exploratory acreage. In land sales in this area, other operators have purchased acreage in selected areas from the Crown at prices varying from Can. \$200 to Can. \$1,800 per acre.

The Ukalerk C-50 well drilled in 1977 by Dome Petroleum Limited on the Hutchison Block in the Beaufort Sea has indicated a calculated open flow rate of gas in excess of 200 million cubic feet per day. Brascan Resources will hold a 6.1% interest in this well after Dome has met all of its earnings obligations. In 1978 it is expected that another well will be drilled adjacent to Ukalerk.

In addition to the above wells, the Isserk E27 location, in which the company has a 3% working interest, is being drilled at no cost to the company from a man-made island in the Beaufort Sea. Planning is also under way by other operators to drill three locations in the Beaufort Sea during the 1979 drilling season. In these locations the company could have varying interests from 3% to 6%.

In addition to continuing exploration for shallow gas, more emphasis was placed on establishing other deeper geological plays in Alberta, north eastern British Columbia and in the oil prone Powder River and Julesburg Basins of Wyoming and Nebraska. During the year land was also acquired in Montana and several exploratory wells are planned for 1978.

Coal

Brascan Resources holds some 500,000 acres of coal lands in central Alberta, 20% of which are in the Wabamun area west of Edmonton, near the producing coal strip mines.

Calgary Power has stated that it intends to build a plant at South Sundance. Brascan Resources holds 40 million tons in the proposed extension to the coalfield that would be developed for this plant and 120 million tons in the surrounding area. Some 550 million tons of coal reserves are held in areas favourable for strip mining, and in addition there are 450 million tons of coal reserves which may be utilized for types of coal gasification projects.

During the year the company carried out preliminary investigations of coal deposits in eastern B.C. and lignite deposits in the South James Bay area of Ontario. Other thermal coal properties are being examined by the company.

Western Mines Limited

Mining Operations

Brascan's share of net income before interest and taxes declined to \$0.8 million from \$2.9 million in 1976. Continuing sluggishness in worldwide base metal demand and prices contributed to this decline.

Total ore reserves of 1,460,000 tons declined as only 53,000 tons of new ore were delineated, which was considerably less than the 297,000 tons mined.

Outside Exploration

In 1977 Can. \$2.1 million was spent on outside exploration projects and Can. \$1.5 million was managed for joint venture partners. A total 57,000 feet of exploration drilling was carried out on the Great Slave Reef and West Reef projects, Pine Point, Northwest-Territories in which Western Mines has a potential interest of 40.45%. Drill results indicated reserves at year end were 3.8 million tons grading 12.4% combined lead-zinc.

A number of uranium properties were explored in 1977 under a joint venture agreement with the Central Electricity Generating Board of the United Kingdom. The most promising properties are the Dubawnt project in the Northwest Territories, the

Costigan project, in Saskatchewan, and the Bancroft project near the producing Madawaska (Faraday) Mine in Ontario.

CONSUMER GOODS AND SERVICES

Labatt Limited

Gross sales for the six months ended October 31, 1977 were Can. \$506.1 million, an increase of 4.5% over the Can. \$484.3 million reported for the same period in 1976.

Net earnings for the six months increased 15.2% to Can. \$18.7 million compared to Can. \$16.2 million a year ago. Net earnings were Can. \$1.38 per common share, on a fully diluted basis, compared with Can. \$1.22 for the same period last year.

For the year ended April 30, 1977, gross sales were Can. \$922.2 million compared with Can. \$837.2 million for the previous year, an increase of 10.1%. Earnings for 1977, at Can. \$28.1 million increased 15.4% over earnings of Can. \$24.3 million before an extraordinary gain last year. There were no extraordinary items in 1977.

Improved results were shown by all company activity areas, brewing, consumer products and agri-products. Labatt Breweries of Canada increased its market share for the twenty-first consecutive year. The company sold 38.7% of all beer sold in Canada, up from 38% in the previous year. The company's volume increased by 0.5% to 6.6 million barrels compared to a decline in total industry volume of 1.3%.

Intershoe, Incorporated

Intershoe, Incorporated, Brascan's shoe distribution company, continues to show unsatisfactory operating results.

Intershoe distributes men's and women's shoes in the U.S. market. These shoes are produced in the U.S. and abroad.

Electric Utility

Great Lakes Power Corporation

Income before interest and taxes from the electric utility operation of Great Lakes Power at Sault Ste. Marie, Ontario was \$5.4 million in 1977, compared to \$5.5 million in 1976. During most of 1977, as in 1976, water levels were abnormally low. As a consequence, additional power was purchased from Ontario Hydro thereby reducing earnings. In November of 1977 normal water levels were restored.

Energy sales for 1977 were 1.9 billion kilowatt hours, approximately the same level attained in 1976.

Capital expenditures for 1977 amounted to \$1.6 million, mainly for transmission and distribution line improvements and additions to the electric system network.

Feasibility studies are continuing on a proposed project to replace the existing St. Mary's River hydro-electric generating plant with a new plant which will increase the generating capacity at this site from 20,000 kw to 50,000 kw. The necessary government approvals for the project are being sought. The cost of the project is currently estimated at Can. \$80 million.

FINANCIAL INFORMATION

London Life Insurance Company

During the year Brascan acquired a 37% interest in Lonvest Corporation which has a 66% interest in London Life. The other partners with Brascan are the Toronto-Dominion Bank and the Jeffery family, which formerly controlled London Life.

Brascan's interest in the shareholders' income of London Life is approximately 24%. The cost of this investment was \$13.1 million.

The income for the year accruing to the shareholders was Can. \$3.3 million as compared with Can. \$3.0 million in 1976. Brascan's share of income, for the period July 1, 1977 (effective date of acquisition) to December 31, 1977 was \$0.5 million.

London Life, which was incorporated in 1874, is one of Canada's largest and most successful life insurance companies. Life insurance in force as of December 31, 1977 was Can. \$24.5 billion, an increase of 12.3% from 1976. Assets increased to Can. \$2.9 billion from Can. \$2.6 billion the preceding year.

In individual life insurance, London Life continues to be a major factor in the Canadian market. At year end, the company provided Canadians with a total of almost Can. \$17 billion of individual life insurance protection. The number of sales to individuals in 1977 showed an increase of 11% compared to 1976. Similarly, the face value of policies issued grew 13% to nearly Can. \$2.5 billion, which is well above industry averages.

Triarch Corporation Limited

Triarch provides a number of merchant banking functions as well as investment counselling and portfolio management through a subsidiary, Elliott and Page Limited.

At the end of 1977, the ownership of Triarch was broadened through the sale of 16% of its stock to its employees, 16% to The Provincial Bank of Canada, and, subject to U.S. Federal Reserve Bank approval, 8% to Philadelphia International Investment Bank, the parent of Philadelphia National Bank. The association of these two new outside shareholders provides additional sources of professional expertise as well as increased exposure to business opportunities.



(Incorporated under the laws of Canada)

Summary of Accounting Policies

The accounting policies conform with accounting principles generally accepted in Canada.

A summary of these policies is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries, including certain Brazilian subsidiaries the earnings of which under the present exchange regulations of that country are not, or are only partially, eligible for remittance outside Brazil.

Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of the lower of cost and estimated fair values at the date of acquisition with any excess being carried as goodwill.

Such goodwill, included in sundry assets on the balance sheet, is amortized over its estimated life (not exceeding 40 years) subject to writing off additional amounts where it is estimated that the value of the unamortized balance has been permanently impaired.

Basis of accounting for non-consolidated long-term investments

Investments in which significant influence exists and investments in corporate joint ventures are carried on the equity method.

Under the equity method, investments are carried on the balance sheet at cost plus the related share of undistributed earnings.

The share of annual net earnings is computed in the same manner as for consolidated subsidiaries (including amortization of any goodwill arising from acquisitions made after April 1, 1974) and is reflected currently in income rather than when realized through dividends.

Other investments are carried at cost less any amounts written off in recognition of a permanent decline in value.

Translation of foreign currencies

The financial statements are expressed in United States dollars.

Those assets, liabilities, revenues and expenses in currencies other than United States dollars have been translated into United States dollars substantially as follows:

- Current assets, other than inventories, and current liabilities at the rates of exchange prevailing at the balance sheet date;
- Long-term debt at the rates prevailing when the proceeds were converted;
- Other assets and liabilities at rates prevailing when they were acquired or incurred;
- Revenues and expenses at average rates for the period except for depreciation, depletion and amortization provisions, which are at the rates used for translation of the related assets.

When the cruzeiro is devalued relative to the United States dollar, the application of the above translation procedures gives rise to exchange losses (with respect to cruzeiro current assets) and exchange gains (with respect to cruzeiro current liabilities).

The net amounts of such translation gains and losses, together with similar adjustments with respect to other currency balances, are included in income as foreign exchange adjustments.

Income and withholding taxes

Income and withholding taxes are accounted for on the tax allocation basis.

Full provision is made in current liabilities for withholding taxes on inter-company interest accrued and on subsidiaries' earnings to the extent that distribution of such earnings by way of cash dividends is expected in the future.

Brazilian subsidiaries' earnings in excess of anticipated cash dividends are being reinvested on a long-term basis and accordingly withholding taxes thereon have not been provided.

Dollar income

The term "Dollar Income" as set out on the Statement of Consolidated Dollar Income has been used in these financial statements to disclose that portion of net income generated substantially in dollars together with dividend and interest remittances from the Brazilian subsidiaries.

Cost of retirement plans

Retirement plans exist covering substantially all employees.

Costs charged against income in the year include amounts for current and past service.

Based on the latest actuarial valuations of the various retirement plans, the only material unfunded obligation for past service costs exists in the Brazilian electric utility subsidiary's plan which is being partially funded by that subsidiary in accordance with the terms of the plan and customary Brazilian practice.

Substantially all of these costs for the Brazilian electric utility will be included in future annual operating expenses of the service for which revenues should be provided by the regulatory system (see below—Electric utility operations—Brazil).

Amortization of debt expense

Debt discount and issue expenses are being amortized over the life of the related debt.

Electric utility operations—Brazil

Revenue recognition—

The regulatory system, known as "service at cost", involves setting customers' rates for electricity at a level which should produce operating revenues sufficient to cover:

- operating expenses of the service;

- provisions for depreciation and reversion (see below);
- the allowable return on the rate base, at rates from a minimum of 10% to a maximum of 12% per annum; and
- adjustments for prior years' accumulated deficiency or surplus, if any, of operating revenues.

The main components of the rate base are the month-end balances of plant in service (at depreciated net book value in cruzeiros monetarily corrected by co-efficients to compensate for the inflationary decline of the currency), materials and supplies and an allowance for working capital.

Electric rates are established periodically based on forecasts of costs, sales volume and the rate base. These estimates are filed with the regulatory authority as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority. Because rates are based on estimates there may be, in any one year, some surplus or deficiency of operating revenues.

If there is a surplus (i.e., when revenues exceed the cost of service), this amount must be taken into account in establishing rates in subsequent years, and is accordingly excluded from current operating revenues, and deferred to such subsequent years.

If there is a shortfall in revenues, the deficiency is recoverable only from future rates and is recorded as operating revenues when received.

Operating revenues include estimated electrical energy delivered to consumers in the year, but unbilled at the end of that year, at rates in effect when delivered.

Depreciation and accumulated amortization—

Depreciation is provided at annual rates prescribed by the regulatory authority (being approximately 3% of monetarily corrected cruzeiro depreciable plant on a straight-line basis).

The provision for amortization (accumulated prior to 1953) may be required to cover part of the undepreciated cost of certain utility properties upon reversion or other transfer to the conceding authorities.

Reversion—

Regulations require that certain funds (known as reversion funds) generated by the rates (and levied at an annual rate, as determined by the regulatory authority, of up to 5% of gross monetarily corrected cruzeiro plant) be paid on a current basis to Eletrobrás, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the plant to the conceding authorities and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

In 1971 and prior years, the electric utility subsidiary was permitted to retain and invest these reversion funds, together with the interest thereon, in additions to plant which form a part of the rate base for calculating the allowable return.

These funds are shown as accumulated reversion on the consolidated balance sheet.

This accumulated reversion is not repayable, but would be deducted from the value of the utility assets upon reversion to the conceding authorities.

Interest at an annual rate of 10% computed on accumulated reversion after annual monetary correction, is payable on a current basis to Eletrobrás.

Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at an annual rate of 10%, as provided by current regulations, which rate is applied to the month-end balances of construction work in progress.

Customers' contributions for line extensions—

Regulations call for the costs of certain line extensions and new connections to be borne by the consumer.

Such costs are included in property, plant and equipment and the related cost recoveries are shown as customers' contributions for line extensions.

These contributions are not repayable and do not bear interest, but are deducted in determining the rate base upon which the allowable return is calculated and its value upon reversion to the conceding authorities.

Retirements—

Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation. Profits or losses on the disposal of certain land and major service installations removed from service with the approval of the regulatory authorities are included in consolidated income.

Electric utility operations—Canada**Depreciation—**

Depreciation is provided on the cost of depreciable electric utility plant at an annual rate of 2½% on a straight-line basis.

Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at a rate approximating the current cost of borrowed funds.

Retirements—

Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation.

Natural resource operations

Oil and gas properties—

The full cost method of accounting is employed whereby all costs associated with exploration for and development of oil and gas reserves are capitalized and charged against income as set out below.

Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration and development activities.

The costs are accumulated in cost centres as follows:

- North America (excluding the Arctic)
- Arctic
- Foreign areas

Proceeds from the disposal of properties are credited against costs.

Depletion is provided each year on costs accumulated in the North America cost centre in the proportion that the year's production of oil and gas bears to proven reserves (the composite unit of production method).

Expenditures incurred in the Arctic and in Foreign areas are being deferred pending the results of exploration still in progress in each area. These costs will be depleted, by cost centre, on the basis of reserves discovered in each area, or written off to income if exploration activities prove unsuccessful or the area is abandoned.

Oil and gas plant and equipment—

Oil and gas plant and equipment costs are depreciated on the unit of production basis.

Mineral exploration costs—

Mineral exploration costs (including acquisition costs, exploration and development expenditures and related overhead) pertaining to individual mineral prospects (excluding hydrocarbons) are charged to income as incurred until such time as an economic orebody is defined.

Coal and other properties—

Until the commencement of commercial production, such properties are carried at cost, less any amounts written off in recognition of a permanent decline in value.

Mine plant and equipment—

The costs of such facilities including amounts capitalized under "mineral exploration costs" above are amortized on the unit of production basis.

Concentrate inventories—

Mineral concentrate inventories are carried at estimated realizable value.

Other operations

Depreciation—

Depreciation of equipment and other physical property and amortization of leasehold improvements are provided at various rates calculated to extinguish the related book values over their estimated useful lives.

Investee operations—Canada

Life insurance—

The accounting policies of London Life Insurance Company (London Life) are those prescribed or permitted by the Department of Insurance of Canada. These requirements, which emphasize liquidity and solvency, differ significantly from generally accepted accounting principles for commercial and industrial organizations as follows:

- The costs of acquiring business are expensed as incurred.
- The costs of certain assets, such as furniture and fixtures, vehicles and leasehold improvements, are charged direct to income as incurred.
- Income taxes are determined on the taxes payable basis.

Income on the equity method is based on earnings per share as reported by London Life.

Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31 1977 1976

(Expressed in millions of United States dollars)

Electric utility—Brazil:

Operating revenues (note 1)	\$1,303.7	\$1,137.6
Operating revenue deductions—		
Purchased power	673.0	582.9
Salaries, wages and other operating expenses	259.4	236.8
Depreciation	59.0	48.6
Reversion	92.2	93.8
	1,083.6	962.1
Operating income	220.1	175.5
Income deductions—		
Interest on long-term debt	48.3	35.1
Reversion interest	19.2	18.6
Allowance for interest on funds used in construction	(17.5)	(16.6)
Interest expense—net	50.0	37.1
Income on short-term investments	(18.8)	(31.8)
Gain on sale of surplus real estate	(8.7)	(1.6)
Foreign exchange adjustments	2.3	14.6
Equity of minority shareholders	30.0	23.5
Income and withholding taxes (notes 1 and 3)	29.9	28.7
	84.7	70.5
Net electric utility income—Brazil (note 1)	135.4	105.0

Investment and industrial operations (per statements attached):

Brazil	9.6	9.3
Canada—		
Normal operations	6.7	4.5
Write down of deferred mine development expenditures		(9.8)
Investment and industrial operations income	16.3	4.0

Income before general corporate expenses 151.7 109.0

General corporate expenses 6.5 6.5

Income before extraordinary gains 145.2 102.5

Extraordinary gains (notes 7 and 15) 6.0 5.5

Net income for year \$ 151.2 \$ 108.0

Average number (in millions) of ordinary shares
(Classes A, B and C) outstanding for year (note 11) 26.0 26.0

Earnings per ordinary share (after preferred dividends):

Income before extraordinary gains	\$ 5.47	\$ 3.87
Extraordinary gains	.23	.21
Net income for year	\$ 5.70	\$ 4.08

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income—Brazil

FOR THE YEARS ENDED DECEMBER 31	1977	1976
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(Expressed in millions of United States dollars)

Income (loss) by segment before unallocated expenses:

Financial services	\$ 9.3	\$ 7.9
Consumer and industrial goods and services	6.5	8.4
Real estate development	1.9	2.2
Mining operations	.8	.2
Mineral exploration	(5.2)	(2.2)
Interest under telephone sale agreement	2.9	3.2
Other income—net	8.5	.9
	24.7	20.6
Discontinued operations		(1.5)
Net loss on disposals		(1.5)
	24.7	17.6

Expenses not allocated by segment:

General and administrative	(7.7)	(6.2)
Income and withholding taxes—		
Current	(7.5)	(2.1)
Deferred	.1	

Total income	\$ 9.6	\$ 9.3
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Subsidiaries' gross operating revenue by segment is as follows:

Financial services	\$ 75.1	\$ 56.6
Real estate development	27.4	18.0
Mining operations	4.4	3.0
Discontinued operations		5.6
	\$106.9	\$ 83.2

Income (loss) before unallocated expenses has been determined after the following:

Equity in net income of corporate joint ventures	\$ 5.1	\$ 8.1
Expenses—		
Interest	29.0	21.9
Depreciation, depletion and amortization	1.9	1.8
Amortization of goodwill	.1	.2
Minority interest	1.0	1.9
Foreign exchange adjustments	26.8	23.9

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income—Canada

FOR THE YEARS ENDED DECEMBER 31

1977

1976

(Expressed in millions of United States dollars)

Income (loss) by segment before unallocated expenses:

Oil and gas operations	\$ 10.7	\$ 5.7
Mining operations	.8	2.7
Mineral exploration	(1.8)	(2.8)
Consumer goods and services	4.5	6.5
Electric utility	5.4	5.5
Financial services	.7	(.1)
Other income—net	2.4	3.0
	22.7	20.5

Expenses not allocated by segment:

Interest on long-term debt	(11.4)	(11.2)
Minority interest	(.7)	(2.4)
Income taxes—		
Current	(.3)	(.5)
Deferred	(3.6)	(1.9)
Total income	\$ 6.7	\$ 4.5

Subsidiaries' gross operating revenue by segment is as follows:

Oil and gas operations	\$ 16.7	\$ 11.4
Mining operations	14.7	15.9
Consumer goods and services	9.2	9.1
Electric utility	29.2	25.1
Financial services	2.4	1.8
	\$ 72.2	\$ 63.3

Income (loss) before unallocated expenses has been determined after the following:

Equity in net income of long-term investments	\$ 6.7	\$ 8.6
Expenses—		
Interest	.4	.5
Depreciation, depletion and amortization	7.0	6.3
Foreign exchange adjustments	2.0	1.7

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Dollar Income

FOR THE YEARS ENDED DECEMBER 31

1977

1976

(Expressed in millions of United States dollars)

Electric utility—Brazil:

Remittances from subsidiary		
Dividends	\$ 31.7	\$ 31.2
Interest	5.7	6.2
	37.4	37.4
Withholding taxes		
Dividends	(7.9)	(7.7)
Interest	(.3)	(.4)
	(8.2)	(8.1)
	29.2	29.3

Investment and industrial operations:

Brazil—		
Remittances from subsidiaries		
Dividends	4.7	3.8
Interest	.2	.4
	4.9	4.2
Withholding taxes		
Dividends	(1.3)	(.9)
Interest		(.1)
	(1.3)	(1.0)
	3.6	3.2
Interest under telephone sale agreement	2.9	3.2
	6.5	6.4
Canada—		
Normal operations (per statement attached)	6.7	4.5
Write down of deferred mine development expenditures		(9.8)
	13.2	1.1
Dollar income before general corporate expenses	42.4	30.4
General corporate expenses	(6.5)	(6.5)
Dollar income before extraordinary gains	35.9	23.9
Extraordinary gains	4.5	2.5
Dollar income for year	\$ 40.4	\$ 26.4
Per ordinary share (after preferred dividends):		
Dollar income before extraordinary gains	\$ 1.27	\$.84
Extraordinary gains	.17	.10
Dollar income for year	\$ 1.44	\$.94

(See accompanying summary of accounting policies and notes)

Statement of Changes in Consolidated Financial Position

FOR THE YEARS ENDED DECEMBER 31	1977	1976
<i>(Expressed in millions of United States dollars)</i>		
Funds provided:		
Operations, after deducting dividends paid to minority shareholders (1977—\$16.3; 1976—\$17.6)	\$202.5	\$149.0
Long-term borrowings	322.4	206.1
Reduction in deposit receipt	29.7	
Shares issued net of expenses	.2	34.9
Proceeds on sale of investments	9.0	17.5
Net settlement on gas company assets		8.9
Net funds arising on acquisition of subsidiary—Canada		7.0
Sale of property, plant and equipment	12.0	6.5
Current portion of sale price of telephone utilities	4.7	4.4
Miscellaneous changes in various assets and liabilities	1.8	2.5
	582.3	436.8
Funds used:		
Expenditures on property, plant and equipment—		
Utility—Brazil	284.9	261.7
Other	14.9	14.9
Reduction in long-term debt	79.5	40.5
Dividends	30.8	27.7
Redemption of subsidiary's preferred shares	29.3	
Long-term deposit receipt		29.7
Increase (decrease) in loans and long-term finance and leasing contracts	26.6	(1.6)
Increase in non-utility investments	29.2	8.1
Increase (decrease) in utility materials and supplies	5.7	(4.1)
	500.9	376.9
Increase in net current assets	81.4	59.9
Net current assets at beginning of year	66.1	6.2
Net current assets at end of year	\$147.5	\$ 66.1
Brazil	\$ 98.2	\$ 23.7
Canada	49.3	42.4
	\$147.5	\$ 66.1

(See accompanying summary of accounting policies and notes)

Consolidated Balance Sheet

DECEMBER 31	1977	1976
<i>(Expressed in millions of United States dollars)</i>		
Assets		
Current assets (per statement attached):		
Brazil	\$ 529.3	\$ 400.1
Canada	80.6	81.9
	609.9	482.0
Investments:		
Brazil—		
Government-guaranteed obligations (note 4)	43.2	47.9
Shares of and loans to corporate joint ventures on the equity method (note 5)	57.3	47.5
Shares and debentures at cost less amounts written off	11.0	9.7
	111.5	105.1
Canada—		
Shares of Canadian companies on the equity method (notes 5 and 6)	73.0	73.2
Deposit receipt		29.7
Other investments at cost less amounts written off (note 7)	6.8	8.3
	79.8	111.2
Other assets:		
Brazil—		
Utility materials and supplies at average cost (note 8)	41.8	36.1
Interest-bearing secured loans	52.6	32.7
Long-term finance and leasing contracts receivable	11.2	5.8
Other long-term receivables	29.2	18.0
Deferred real estate development expenditures	1.6	2.1
Sundry, including debt discount and issue expenses (1977—\$6.0; 1976—\$2.4)	20.9	13.9
	157.3	108.6
Canada—		
Interest-bearing secured loans	3.5	2.1
Long-term receivables	18.2	6.1
Sundry, including debt discount and issue expenses (1977—\$2.1; 1976—\$2.5)	7.4	6.8
	29.1	15.0
Property, plant and equipment at cost less accumulated depreciation, depletion and amortization (per statement attached):		
Brazil	1,864.0	1,621.9
Canada	138.1	139.9
	2,002.1	1,761.8
	\$2,989.7	\$2,583.7

(See accompanying summary of accounting policies and notes)

DECEMBER 31	1977	1976
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Liabilities		
Current liabilities (per statement attached):		
Brazil	\$ 431.1	\$ 376.4
Canada	31.3	39.5
	462.4	415.9
Other liabilities:		
Brazil—		
Long-term debt (per statement attached)	667.6	446.6
Bank indebtedness	22.0	12.7
Long-term deposits	52.9	30.3
Other long-term liabilities	1.6	3.1
Accumulated reversion	164.6	164.6
Customers' contributions for line extensions	46.7	44.4
Minority interest	171.8	155.2
	1,127.2	856.9
Canada—		
Long-term debt (per statement attached)	104.1	108.2
Bank and other indebtedness	2.0	1.9
Minority interest	12.3	38.4
Deferred income taxes	4.0	5.3
	122.4	153.8
Shareholders' equity:		
Capital (note 11)—		
Authorized:		
929 6% cumulative convertible preference shares of a par value of Can. \$100.00 each (1976–929)		
7,997,900 preferred shares issuable in series (1976–8,000,000)		
105,000,000 ordinary (Classes A, B and C) shares of no par value		
Issued and outstanding:		
929 6% preference shares (1976–929)	.1	.1
1,397,900 8½% cumulative redeemable preferred shares Series A of a par value of Can. \$25.00 each (1976–1,400,000)	35.9	36.0
28,333,285 ordinary (Classes A, B and C) shares (1976–28,315,285)	200.2	199.9
	236.2	236.0
Retained earnings	1,066.1	945.7
	1,302.3	1,181.7
Less 2,293,522 ordinary shares held by a subsidiary, at cost	24.6	24.6
	1,277.7	1,157.1
	\$2,989.7	\$2,583.7

On behalf of the Board: J. H. Moore
A. J. MacIntosh
Directors

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Current Assets and Liabilities and Changes in Components of Consolidated Working Capital

	DECEMBER 31		INCREASE (DECREASE)	
	1977	1976	1977	1976
<i>(Expressed in millions of United States dollars)</i>				
Brazil (notes 2 and 8):				
Current assets—				
Cash	\$ 15.0	\$106.8	\$ (91.8)	\$ 29.1
Bank deposit (note 8)	148.7		148.7	
Treasury bills and other short-term investments	41.5	16.2	25.3	5.8
Interest-bearing secured loans	158.3	122.5	35.8	42.2
Finance and leasing contracts receivable	19.9	14.7	5.2	(4.4)
Accounts receivable and other	142.4	135.5	6.9	7.2
Government-guaranteed obligations due within one year (note 4)	3.5	4.4	(.9)	.3
	529.3	400.1	129.2	80.2
Current liabilities—				
Bank indebtedness	3.7	1.9	1.8	(.2)
Accounts payable and accrued charges	179.8	196.0	(16.2)	21.4
Short-term deposits	93.8	92.5	1.3	50.2
Bills of exchange payable	18.8	11.2	7.6	(4.5)
Income and other taxes payable	44.6	42.1	2.5	(13.2)
Current portion of long-term debt	74.4	22.8	51.6	7.7
Interest and dividends due and accrued	16.0	9.9	6.1	3.0
	431.1	376.4	54.7	64.4
Net current assets (Brazil)	98.2	23.7	74.5	15.8
Canada:				
Current assets—				
Cash	21.5	6.0	15.5	2.8
Deposit receipts	22.2	43.3	(21.1)	23.1
Short-term investments at cost, which approximates market	11.3	8.8	2.5	8.1
Accounts receivable and other	19.4	18.4	1.0	(4.2)
Mineral and other inventories	6.2	5.4	.8	2.3
	80.6	81.9	(1.3)	32.1
Current liabilities—				
Bank indebtedness	4.1	5.5	(1.4)	(9.8)
Accounts payable and accrued charges	8.7	10.1	(1.4)	(8.1)
Dividends and interest due and accrued	13.4	14.5	(1.1)	3.7
Current portion of long-term debt	5.1	8.5	(3.4)	1.9
Income and other taxes payable		.9	(.9)	.3
	31.3	39.5	(8.2)	(12.0)
Net current assets (Canada)	49.3	42.4	6.9	44.1
Total net current assets	\$147.5	\$ 66.1	\$ 81.4	\$ 59.9

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Property, Plant and Equipment

DECEMBER 31 1977 1976

(Expressed in millions of United States dollars)

Brazil:

Utility plant (note 8)—		
Plant in service	\$2,201.8	\$1,912.7
Construction work in progress	172.0	174.0
Other physical property	2.3	2.4
Total, at cost	2,376.1	2,089.1
Less accumulated depreciation	521.9	477.0
	1,854.2	1,612.1
Unrealized balance of gas company assets (note 9)	21.0	21.0
	1,875.2	1,633.1
Less accumulated amortization	34.4	34.4
	1,840.8	1,598.7
Other—		
Land and buildings	17.6	18.3
Machinery, equipment, furniture and leasehold improvements	10.3	9.1
Total, at cost	27.9	27.4
Less accumulated depreciation, depletion and amortization	4.7	4.2
	23.2	23.2
	\$1,864.0	\$1,621.9

Canada:

Electric utility plant	\$ 89.6	\$ 88.2
Oil and gas properties (note 10)	69.0	67.3
Mine plant and equipment	15.5	15.4
Oil and gas plant and equipment	8.0	6.6
Coal and other properties	5.7	5.7
Office furniture, equipment and leasehold improvements	1.4	1.4
Total, at cost	189.2	184.6
Less accumulated depreciation, depletion and amortization—		
Electric utility plant	32.4	30.5
Oil and gas properties	8.1	5.8
Mine plant and equipment	8.1	6.7
Oil and gas plant and equipment	1.7	1.0
Coal and other properties	.2	.1
Office furniture, equipment and leasehold improvements	.6	.6
	51.1	44.7
	\$ 138.1	\$ 139.9

Statement of Consolidated Retained Earnings

FOR THE YEARS ENDED DECEMBER 31 1977 1976

(Expressed in millions of United States dollars)

Balance at beginning of year	\$ 945.7	\$ 866.7
Net income for year	151.2	108.0
	1,096.9	974.7
Deduct:		
Dividends (note 12)	30.8	27.7
Commission and issue expenses of Series A preferred shares		1.3
	30.8	29.0
Balance at end of year	\$1,066.1	\$ 945.7

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Long-Term Debt—Brazil (note 8)

DECEMBER 31		1977	1976
<i>(Expressed in millions of United States dollars)</i>			
Brascan International B.V. (guaranteed by Brascan Limited):			
8¼% bonds due annually 1978 to 1987 in U.S. dollars	*	\$ 17.5	\$ 18.5
Light-Serviços de Eletricidade S.A.:			
U.S. dollar bank loans at rates from 1% to 2¼% over London interbank rate, due semi-annually 1978 to 1986	**	594.6	372.4
8½% bonds due 1982 in Deutsche marks (equivalent to \$47.7 at year-end rate)	**	41.4	
Export Development Corporation 7½% loan, due in equal semi-annual instalments 1978 to 1988, in Canadian dollars	**	24.4	23.2
United States of America Alliance for Progress 5½% loan, due in equal semi-annual instalments 1978 to 1984, in U.S. dollars or, at the lender's option, in equivalent cruzeiros	**	18.1	20.6
International Bank of Reconstruction and Development, 6% and 7¼% loans, due semi-annually 1978 to 1993, substantially in U.S. dollars	**	15.4	5.0
Canadian dollar 9½% bank loan, due semi-annually 1978 to 1979		3.2	4.1
Supplier financing, due semi-annually to 1986		27.4	25.6
		742.0	469.4
Less current portion included in current liabilities		74.4	22.8
		\$667.6	\$446.6

*Proceeds loaned to Light-Serviços de Eletricidade S.A.

**Guaranteed by the Federal Government of Brazil (except for \$194.6 of U.S. dollar bank loans)

Maturities and sinking fund requirements during the next five years are as follows:

1978—\$74.4	1980—\$99.9	1982—\$173.4
1979— 93.6	1981— 80.6	

Statement of Consolidated Long-Term Debt—Canada

DECEMBER 31		1977	1976
<i>(Expressed in millions of United States dollars)</i>			
Canadian dollar bank loan at a rate 1¼% above the minimum commercial bank lending rate in Canada, due semi-annually 1978 to 1980		\$ 13.3	\$ 17.4
Brascan International B.V.:			
8.3% loan from a consortium of Japanese banks due annually 1982 to 1988, in U.S. dollars	*	30.0	30.0
8½% bonds due annually 1979 to 1988 in Deutsche marks (equivalent to \$47.7 at year-end rate)	*	35.9	35.9
Brascan International Capital Corporation:			
9¾% notes due 1978 to 1982 in U.S. dollars	*	30.0	30.0
Great Lakes Power Corporation Limited:			
5¾% sinking fund debentures due 1977, in Canadian dollars			3.4
		109.2	116.7
Less current portion included in current liabilities		5.1	8.5
		\$104.1	\$108.2

*Guaranteed by Brascan Limited

Maturities and sinking fund requirements during the next five years are as follows:

1978—\$5.1	1980—\$4.6	1982—\$33.9
1979— 7.9	1981— 4.6	

(See accompanying summary of accounting policies and notes)

Notes to Consolidated Financial Statements

1. Electric utility operations—Brazil

Rate base

The rate structure regulations are described in the summary of accounting policies.

All rate adjustments approved to date under the “service at cost” system relate to the calculation by the electric utility subsidiary of its rate base. In 1974 the findings of a Government Commission were formally confirmed which established the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of the plant in service as at December 31, 1972. These cruzeiro values, together with subsequent monetary correction, were adjusted in the accounts in 1974 and were approximately 0.3% below the equivalent book value. In addition, the electric utility subsidiary’s submission of accounts for the cost of service for 1974 through 1976 has been approved by the regulatory authority, which approval constitutes confirmation of the value of the rate base for those years.

Electric utility income from January 1, 1965 may still be subject to adjustment through future rates to reflect changes in the rate base arising from the 1974 findings of the Commission. Any adjustment is not expected to be material.

The rate of return earned in both 1976 and 1977 was 12% on the rate base.

Depreciation

Legislation introduced in 1976 and 1977 requires certain changes with respect to accounting for depreciation effective in 1977. These changes did not have a material effect on 1977 income. While their impact on future years’ income cannot be assessed at this time, no adverse material impact is expected from this legislation.

Corporate profits taxes

Provision for these taxes has been made at 6%, the rate applicable to electric utilities. In addition, a 5% distribution tax is provided by the electric utility subsidiary on dividends paid with the exception of those paid to Brazilian domiciled corporations.

2. Exchange regulations

Remittances from Brazil are subject to the exchange regulations of that country. Inter-company interest and related sinking fund payments from the electric

utility subsidiary, together with payments under the telephone sale agreement, are fully remittable in dollars. Dividend payments by the electric utility subsidiary on the Company’s direct investment are 47.7% remittable in dollars with the balance being available in cruzeiros in Brazil. In addition, dividend payments by the Brazilian investment subsidiaries are partially remittable in dollars.

Within the limits of their capitalization and earnings in each year, Brazilian subsidiaries declare dividends sufficient to realize maximum dollar remittances under the capital registrations for investments therein, without attracting supplementary withholding taxes (note 3). Net subsidiary income above this level is generally capitalized by stock dividends in order to increase the capitalization and, to the extent permitted by Brazilian capital registration legislation, to increase the registered capital base upon which future dividends may be remitted. Recent changes in Brazilian company and income tax laws may give rise to alterations in capitalization and registration procedures in the future.

Based on the registration certificates on hand at December 31, 1977, the registered capital (expressed in equivalent U.S. dollars) for all share investments in Brazilian subsidiaries was approximately \$261 million. In addition debt instruments amounting to \$111 million, including \$47 million in respect of payments under the telephone sale agreement, were similarly registered.

3. Withholding taxes—Brazil

Interest payments by subsidiaries in Brazil are subject to an effective Brazilian withholding tax rate of 5%.

Dividend payments by subsidiaries in Brazil are subject to the regular Brazilian withholding tax rate of 25%. Should dollar dividend payments after regular withholding taxes exceed 12% of the registered dollar capital, averaged over the preceding three years, additional taxes would be payable on a graduated scale from 40% to 60% on the net excess.

Withholding taxes have been provided for on \$83.1 million of Brazilian subsidiaries' current earnings.

4. Government-guaranteed obligations

This amount, together with interest at 6%, is receivable in equal quarterly instalments from January 1, 1979 to January 1, 1986 with respect to the sale of the telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government.

There is an obligation to reinvest 75% of the principal in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

Under the terms of the Canadian dollar bank loan of \$13.3 million, these holdings may not be sold or otherwise encumbered without the prior written consent of the lenders.

5. Investments on the equity method

These investments are comprised of the following:

	Millions	
	1977	1976
Brazil*—		
Swift-Armour	\$14.6	\$11.9
Skol-Caracú	16.4	11.3
Fábrica Nacional de Vagões	12.6	11.8
Embrasca	8.2	7.7
Paratí	5.5	4.8
	\$57.3	\$47.5
Canada—		
John Labatt	\$59.4	\$57.6
Canadian Cablesystems		15.6
London Life	13.6	
	\$73.0	\$73.2

*In addition, interest-bearing secured loans from affiliates in Brazil amount to \$9.3 million (1976—\$3.8 million).

6. Shares of Canadian companies on the equity method

A 24.4% interest in London Life was acquired during the year through a holding company, Lonvest Corporation, for a cash consideration of \$13.1 million. An interest in the following net assets (in mil-

lions) was acquired in this transaction which was recorded under the purchase method of accounting.

Assets	\$2,615.4
Liabilities	2,490.3
Net assets acquired at values assigned on purchase	125.1
Deduct interests of policyholders and other shareholders	112.0
Purchase price	\$ 13.1

Under certain circumstances there are requirements to purchase additional issued shares of Lonvest, at prices determined in accordance with a formula, for a consideration of up to Can. \$16 million.

During the year, the investment in Canadian Cable-systems Limited was sold at a price approximating its carrying value.

7. Extraordinary gains

During 1977 the investment in Austen & Butta Limited was sold at a profit of \$3.6 million which is shown as an extraordinary gain in consolidated income together with the gains referred to in note 15.

8. Long-term debt—Brazil

Long-term debt—Brazil (with the exception of most supplier financing) is secured by debentures of Light carrying a floating charge on its assets. These assets consist principally of utility plant in service, construction work in progress, utility materials and supplies, and approximately \$290 million of current assets.

In addition to the interest rates shown as payable on U.S. dollar bank loans, local borrowing commissions ranging from ¾% to 2% are payable on certain of the loans totalling \$35 million.

Under a Brazilian Central Bank resolution issued in November 1977, \$148.7 million proceeds of a \$150 million loan received in December 1977 were placed on deposit with a Brazilian bank. Such deposits remain in the originating currency without interest; however, interest and withholding tax costs of the related debt are borne by the Central Bank until such funds are withdrawn.

9. Unrealized balance of gas company assets

This represents the book value of the unrealized balance of the assets of the gas plant in Rio de Janeiro which was transferred to a local Government authority in 1969. The compensation for these assets

has not been finally determined but no net loss on settlement is expected.

10. Oil and gas properties

The following is a summary (in millions) of the cost of oil and gas properties by cost centre and the related accumulated depletion as at December 31:

	1977		
	Cost	Accumulated Depletion	Net
North America (excluding the Arctic)	\$60.4	\$ 8.1	\$52.3
Arctic	8.6		8.6
	\$69.0	\$ 8.1	\$60.9

	1976		
	Cost	Accumulated Depletion	Net
North America (excluding the Arctic)	\$58.7	\$ 5.8	\$52.9
Arctic	8.6		8.6
	\$67.3	\$ 5.8	\$61.5

At December 31, 1977 proven reserves are estimated by the Company at 275.5 (1976—253.6) billion cubic feet of sales gas and 2.7 (1976—2.9) million barrels of oil.

11. Share capital

Preferred

The Company's authorized preferred share capital consists of 7,997,900 (1976—8,000,000) shares of an aggregate par value not exceeding Can. \$200.0 million, such class to be issued in one or more series as determined by the directors. The preferred shares of each series rank equally with the preferred shares of every other series, and are entitled to preference over the ordinary shares of the Company on the declaration of dividends and on distribution on winding up.

The first series of preferred shares consists of 1,397,900 (1976—1,400,000) 8½% cumulative redeemable Series A preferred shares, with a par value of Can. \$25.00 each designated as "8½% Tax-deferred Preferred shares Series A", and the second series of preferred shares consists of 1,400,000 (1976—1,400,000) 10% cumulative redeemable preferred shares, Series B, with a par value of Can. \$25.00 each. Each Series A share is convertible after

April 15, 1988, into one Series B preferred share. The dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of Can. \$1.00 per share reducing by Can. \$0.25 annually to 1987 and par thereafter.

During 1977, 2,100 preferred shares were redeemed for \$0.1 million.

Ordinary

The authorized and issued ordinary shares of the Company are without nominal or par value. The ordinary share capital at December 31, 1977 is summarized below:

	Shares Authorized	Shares Issued
Class A convertible	50,000,000	23,779,080
Class B convertible	50,000,000	1,909,130
Class C convertible (non-voting)	5,000,000	2,645,075
Less Class A convertible shares held by a subsidiary (non-voting)		28,333,285
		2,293,522
		26,039,763

The total Class A, B and C shares issued and outstanding at any one time may not exceed 50,000,000 shares.

The Class A, B and C ordinary shares rank equally in all respects except for the following:

- During 1978, dividends on Class B shares may continue to be paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when such dividends are received by shareholders. Certain amendments to the Income Tax Act (Canada) are designed to eliminate this differential in treatment, commencing with 1979.
- Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

During 1977, 2,702,438 Class C ordinary shares were issued to replace Class A shares held in bearer form. In addition the following ordinary share conversions took place:

	1977	1976
Class A into Class B	257,565	814,201
Class C into Class A	34,399	—
Class C into Class B	22,964	—

Under the Company's share purchase plans, 18,000 Class A ordinary shares were issued at \$12.20 per share during 1977 (1976—21,640 shares) to officers and employees, financed by loans from the Company. At December 31, 1977 the amount of loans under these plans, included in sundry assets, was \$1.4 million (1976—\$1.5 million) including \$0.6 million (1976—\$0.7 million) to certain directors and officers.

Share constraints

The Company has been declared a constrained share company within the meaning of the Canada Corporations Act. The purpose of these constraints is to restrict the issue and transfer of the Company's voting shares so as to assure that:

not more than 49% of the Company's outstanding voting shares are controlled by non-Canadians as a group, and

not more than 10% of such shares are controlled by any one non-Canadian or by an associated group of non-Canadians.

12. Dividends

Cash dividends, together with the related tax on undistributed income, consisted of the following:

	Millions	
	1977	1976
Ordinary:		
Class A and Class C		
U.S. \$1.08 per share	\$28.6	
U.S. \$1.00 per share		\$26.7
Class B		
U.S. \$1.0425 per share	1.8	
U.S. \$0.85 per share		1.3
Related tax paid on undistributed income		
U.S. \$0.0375 per share	.1	
U.S. \$0.15 per share		.2
	30.5	28.2
Paid to a subsidiary		
U.S. \$1.08 per share	(2.5)	
U.S. \$1.00 per share		(2.2)
Total ordinary	28.0	26.0

Preferred:

6% preference shares		
Can. \$6.00 per share	—	—
Preferred Series A		
Can. \$2.125 per share	2.8	
Can. \$1.0625 per share		1.5
Related tax paid on undistributed income		
Can. \$0.0123 per share	—	
Can. \$0.1875 per share		.2
Total preferred	2.8	1.7
Total dividends	\$30.8	\$27.7

Under current regulations (see note 16) dividends which may be declared on the ordinary shares in the period ending October 13, 1978 are restricted in total to U.S. \$1.1448 per share.

13. Comparative figures

Certain of the prior years' accounts have been reclassified to conform with the 1977 presentation.

14. Commitments and contingencies

● Total commitments outstanding for construction, equipment, etc. at December 31, 1977 were approximately \$207 million. In addition, the Company's Brazilian investment bank and other subsidiaries are contingently liable as guarantors on loans and other contracts of approximately \$39 million.

● As at December 31, 1977, total unfunded pension plan obligations with respect to past service amounted to \$50.3 million of which \$50.2 million (1976—\$51.7 million) relates to the Brazilian electric utility subsidiary's plan. This unfunded obligation includes \$4.5 million relating to members eligible to retire at January 1, 1975, the date of inception of the plan, and is being funded and expensed by the company through 1984 and is not treated as a cost of service.

The remainder of the unfunded past service obligation (\$45.7 million) is being funded and expensed under the terminal funding method pursuant to Brazilian practice. It is expected that such costs will be included in future annual operating expenses of the service for which revenues will be provided by the regulatory system (see summary of accounting policies—electric utility operations—Brazil).

Pension costs for the Brazilian electric utility in 1977 amounted to \$9.0 million including \$2.9 million for interest paid on the unfunded obligations.

- Annual rental commitments under various long-term lease agreements total approximately \$5.2 million.

15. Income taxes

The following non-capital losses for tax purposes are available to reduce such taxable income as may arise in subsequent years.

	Millions	
	1977	1976
Brazil	\$ 4.4	\$ 7.5
Canada	13.9	10.9

Income tax recoveries of approximately \$2.4 million resulting from the application of loss carry-forwards were realized during the year and are reflected as extraordinary gains (note 7).

In addition, in Canada net capital losses for tax purposes amounting to \$7 million are available to reduce such taxable capital gains as may arise in subsequent years.

16. Anti-Inflation Program

Under the federal government's anti-inflation program the Company is subject to mandatory compliance with legislation which controls prices, profit

margins, employee compensation and shareholder dividends. Controls relating to prices, profit margins and employee compensation are scheduled to be in force until December 31, 1978 while controls on shareholder dividends end October 13, 1978. Accordingly, the ability of the Company and its Canadian subsidiaries to increase prices, profit margins and dividends may be restricted during this period.

Non-Canadian activities, which represent the bulk of operations, are not affected by this legislation.

17. Remuneration of directors and officers

Paid by:	Directors		Officers		Number of officers who were also directors
	Number	Thousands	Number	Thousands	
The Company	25	\$142	18	\$1,097	7
One subsidiary			1	93	1
A second subsidiary			1	61	1
A third subsidiary			1	100	1
A fourth subsidiary	1	24			

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities, property, plant and equipment and long-term debt of Brascan Limited as at December 31, 1977, and the statements of consolidated income, investment and industrial operations income, dollar income, retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included

such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 20, 1978

Clarkson, Gordon & Co.
Chartered Accountants

Analysis of Consolidated Income by Currency

FOR THE YEARS ENDED DECEMBER 31	Source			Currency		
	Brazil	Canada	Total	Cruzeiros	Dollars	Total

(Expressed in millions of United States dollars)

1977

Income (loss):

Electric utility	\$135.4	\$ 5.4	\$140.8	\$106.2	\$ 34.6	\$140.8
Financial services	9.3	.7	10.0	4.6	5.4	10.0
Consumer and industrial goods and services	6.5	4.5	11.0	6.5	4.5	11.0
Real estate development	1.9		1.9	1.7	.2	1.9
Oil and gas operations		10.7	10.7		10.7	10.7
Mining operations	.8	.8	1.6	.8	.8	1.6
Mineral exploration	(5.2)	(1.8)	(7.0)	(5.2)	(1.8)	(7.0)
Interest under telephone sale agreement	2.9		2.9		2.9	2.9
Other income—net	8.5	2.4	10.9	8.5	2.4	10.9
	160.1	22.7	182.8	123.1	59.7	182.8
Expenses not allocated by segment	(15.1)	(16.0)	(31.1)	(13.8)	(17.3)	(31.1)
General corporate expenses		(6.5)	(6.5)		(6.5)	(6.5)
Income before extraordinary gains	\$145.0	\$.2	\$145.2	\$109.3	\$ 35.9	\$145.2

Per ordinary share (after preferred dividends):

Income (loss) before extraordinary gains	\$ 5.57	\$ (.10)	\$ 5.47	\$ 4.20	\$ 1.27	\$ 5.47
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1976

Income (loss):

Electric utility	\$105.0	\$ 5.5	\$110.5	\$ 75.7	\$ 34.8	\$110.5
Financial services	7.9	(.1)	7.8	4.1	3.7	7.8
Consumer and industrial goods and services	8.4	6.5	14.9	8.4	6.5	14.9
Real estate development	2.2		2.2	1.8	.4	2.2
Oil and gas operations		5.7	5.7		5.7	5.7
Mining operations	.2	2.7	2.9	.2	2.7	2.9
Mineral exploration	(2.2)	(2.8)	(5.0)	(2.2)	(2.8)	(5.0)
Interest under telephone sale agreement	3.2		3.2		3.2	3.2
Other income—net	.9	3.0	3.9	.9	3.0	3.9
	125.6	20.5	146.1	88.9	57.2	146.1
Write down of deferred mine development expenditures		*(9.8)	(9.8)		*(9.8)	(9.8)
Discontinued operations	(1.5)		(1.5)	(1.5)		(1.5)
Net loss on disposals	(1.5)		(1.5)	(1.5)		(1.5)
	122.6	10.7	133.3	85.9	47.4	133.3
Expenses not allocated by segment	(8.3)	(16.0)	(24.3)	(7.3)	(17.0)	(24.3)
General corporate expenses		(6.5)	(6.5)		(6.5)	(6.5)
Income (loss) before extraordinary gains	\$114.3	\$ (11.8)	\$102.5	\$ 78.6	\$ 23.9	\$102.5

Per ordinary share (after preferred dividends):

Income (loss) before extraordinary gains	\$ 4.39	\$ (.52)	\$ 3.87	\$ 3.03	\$.84	\$ 3.87
Write down of deferred mine development expenditures (deducted above)		*(.38)			*(.38)	

Analysis of Changes in Consolidated Financial Position by Currency

FOR THE YEARS ENDED DECEMBER 31	1977			1976		
	Cruzeiros	Dollars	Total	Cruzeiros	Dollars	Total
<i>(Expressed in millions of United States dollars)</i>						
Funds provided:						
Operations after deducting dividends paid to minority shareholders	\$158.1	\$ 44.4	\$202.5	\$111.8	\$ 37.2	\$149.0
Long-term borrowings	322.4		322.4	176.0	30.1	206.1
Reduction in deposit receipt		29.7	29.7			
Shares issued net of expenses		.2	.2		34.9	34.9
Proceeds on sale of investments		9.0	9.0		17.5	17.5
Net settlement on gas company assets				8.9		8.9
Net funds arising on acquisition of subsidiary—Canada					7.0	7.0
Sale of property, plant and equipment	10.1	1.9	12.0	6.0	.5	6.5
Current portion of sale price of telephone utilities	2.6	2.1	4.7	3.1	1.3	4.4
Miscellaneous changes in various assets and liabilities	(2.4)	4.2	1.8	6.5	(4.0)	2.5
Repayment of subsidiary debt to parent	(5.8)	5.8		(6.1)	6.1	
	485.0	97.3	582.3	306.2	130.6	436.8
Funds used:						
Expenditures on property, plant and equipment—						
Utility—Brazil	284.9		284.9	261.7		261.7
Other	3.1	11.8	14.9	2.4	12.5	14.9
Reduction in long-term debt	75.4	4.1	79.5	23.9	16.6	40.5
Dividends		30.8	30.8		27.7	27.7
Redemption of subsidiary's preferred shares		29.3	29.3			
Long-term deposit receipt					29.7	29.7
Increase (decrease) in loans and long-term finance and leasing contracts	25.3	1.3	26.6	(1.6)		(1.6)
Increase in non-utility investments	16.1	13.1	29.2	8.1		8.1
Increase (decrease) in utility materials and supplies	5.7		5.7	(4.1)		(4.1)
	410.5	90.4	500.9	290.4	86.5	376.9
Increase in net current assets	74.5	6.9	81.4	15.8	44.1	59.9
Net current assets (liabilities) at beginning of year	23.7	42.4	66.1	7.9	(1.7)	6.2
Net current assets at end of year	\$ 98.2	\$ 49.3	\$147.5	\$ 23.7	\$ 42.4	\$ 66.1

Comparative Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31	1977	1976	1975	1974	1973
<i>(Expressed in millions of United States dollars)</i>					
Electric utility—Brazil:					
Operating revenues	\$1,303.7	\$1,137.6	\$1,016.1	\$ 799.4	\$ 625.4
Operating revenue deductions—					
Purchased power	673.0	582.9	494.7	380.1	259.1
Salaries, wages and other operating expenses	259.4	236.8	215.3	174.3	148.5
Depreciation	59.0	48.6	43.4	34.9	28.9
Reversion	92.2	93.8	66.5	43.5	38.0
	1,083.6	962.1	819.9	632.8	474.5
Operating income	220.1	175.5	196.2	166.6	150.9
Income deductions	84.7	70.5	79.6	47.7	44.0
Net electric utility income—Brazil	135.4	105.0	116.6	118.9	106.9
Investment and industrial operations:					
Brazil	9.6	9.3	(16.0)	4.3	22.1
Canada	6.7	*(5.3)	(.4)	1.5	4.5
	16.3	4.0	(16.4)	5.8	26.6
General corporate expenses	6.5	6.5	4.0	4.1	3.2
Income before extraordinary items	145.2	102.5	96.2	120.6	130.3
Extraordinary items	6.0	5.5	(11.7)	(10.0)	(.5)
Net income for year	\$ 151.2	\$ 108.0	\$ 84.5	\$ 110.6	\$ 129.8

*Including write down of deferred mine development expenditures of \$9.8

Operating Statistics of Light-Servicos de Electricidade S.A.

	1977	1976	1975	1974	1973
Kilowatt hours billed (millions):					
Residential	8,073	7,024	6,372	5,881	5,433
Commercial	5,121	5,177	4,854	4,448	4,068
Industrial	18,704	16,840	14,820	14,205	12,761
Public utilities and others	3,639	3,293	3,035	2,842	2,695
Total	35,537	32,334	29,081	27,376	24,957
Customers (thousands)	4,365	4,173	3,973	3,862	3,699
Employees	31,729	30,646	29,824	31,555	27,584
Capacity of generating plants (kw thousands)	2,075	2,064	2,064	2,064	2,119
Transmission lines (kilometres of circuit)	5,803	5,506	5,344	5,181	4,965
Distribution network lines (kilometres of wire)	331,024	323,636	313,598	300,866	280,833
Transformer capacity (kva thousands)	7,682	7,179	6,627	6,138	5,514



Directors

² J. H. A'COURT *Toronto*
Senior Financial Consultant
to the Company

THIERRY BARBEY *Geneva*
Senior Partner, Lombard, Odier & Cie

¹ A. W. FARMILO *Toronto*
Executive Vice-President

¹ E. C. FREEMAN-ATTWOOD *Toronto*
President

JOHN F. GALLAGHER *Chicago*
Vice-President, International Operations,
Sears, Roebuck and Co.

ANTONIO GALLOTTI *Rio de Janeiro*
Vice-President; President, Brascan—
Administração e Investimentos Ltda.

J. PETER GRACE *New York*
President and Chief Executive Officer,
W. R. Grace & Co.

J. F. GRANDY *Ottawa*
President, Reisman and Grandy Limited

LEWIS B. HARDER *New York*
Chairman, International Mining Corporation

^{1,2} N. E. HARDY *London, Ontario*
Vice-Chairman of the Board,
John Labatt Limited

¹ R. E. HARRISON *Toronto*
Chairman and Chief Executive Officer,
Canadian Imperial Bank of Commerce

LOUIS A.-LAPOINTE *Montreal*
Company director

^{1,2} A. J. LITTLE *Toronto*
Company director

^{1,2} A. J. MacINTOSH *Toronto*
Partner, Blake, Cassels & Graydon

¹ PAUL E. MANHEIM *New York*
Limited Partner, Lehman Brothers
WILLIAM J. MANNING *New York*
Partner, Simpson Thacher & Bartlett

^{1,2} J. H. MOORE *London, Ontario*
Chairman of the Board

JOHN G. PHILLIMORE *London, England*
Company director

P. N. T. WIDDRINGTON *London, Ontario*
President and Chief Executive Officer,
John Labatt Limited

Honorary Directors

HERMANN J. ABS *Frankfurt (Main)*

HENRY BORDEN *Toronto*

W. C. HARRIS *Toronto*

BEVERLEY MATTHEWS *Toronto*

Officers

J. H. MOORE *Chairman of the Board*

E. C. FREEMAN-ATTWOOD *President*

A. W. FARMILO *Executive Vice-President*

ANTONIO GALLOTTI *Vice-President and
Senior Corporate Officer in Brazil*

L. D. BLACHFORD *Vice-President*

R. F. LEWARNE *Vice-President*

D. A. McALPINE *Vice-President*

W. R. MILLER *Vice-President, Finance*

R. R. SUTHERLAND *Assistant Vice-
President, Finance*

L. A. ALLEN *Secretary*

R. H. ELDRIDGE *Treasurer*

B. A. HENSTOCK *Comptroller*

¹ Executive Committee

² Audit Committee

European Advisory Committee

HERMANN J. ABS
Honorary President, Deutsche Bank AG

PIERRE ANSIAUX
Member of the Bar of the Supreme Court
of Belgium and former Brascan Director

THIERRY BARBEY
E. C. FREEMAN-ATTWOOD
J. H. MOORE
JOHN G. PHILLIMORE

IGEH
ELETRICIDADE S.A

Administrative Council

ALEXANDRE HENRIQUES LEAL
President

ANTONIO GALLOTTI

J. J. MARQUES FILHO

A. A. DE AZEVEDO SODRÉ

ALEC THOMAS COUSINS

Directors

ALEXANDRE HENRIQUES LEAL
President

CAIO TÁCITO SÁ VIANA PEREIRA
DE VASCONCELOS *Vice-President*

ALBERTO DO AMARAL OSÓRIO
Vice-President

WILLIAM J. CROCKER *Vice-President*

TULLIO ROMANO CORDEIRO DE
MELLO *Vice-President*

LUIZ TEIXEIRA ALVES DE LIMA
Vice-President

JOSÉ RUBEM FONSECA

RUY BESSONE PINTO CORRÉA

ROBERT WILSON

MIGUEL REALE

GILBERTO SAMPAIO DE TOLEDO

ARTHUR COHEN

LESLIE THOMAS SMITH

BRASCAN—ADMINISTRAÇÃO E
INVESTIMENTOS LTDA.

ANTONIO GALLOTTI *President*

J. J. MARQUES FILHO *Vice-President*

R. F. LEWARNE *Executive Vice-President*

ROBERTO PAULO CEZAR DE
ANDRADE *Vice-President, General Counsel*

A. T. COUSINS *Vice-President, Finance*

PEDRO LEITÃO DA CUNHA
Vice-President, Financial Services

J. E. WILLIAMS

SERGIO PIOMBO

IAN M. HENDERSON

As at March 21, 1978

Transfer Agents

National Trust Company, Limited
*Toronto, Montreal, Vancouver,
Calgary, Winnipeg and Halifax*

Citibank N.A.
New York

Registrars

Canadian Imperial Bank of Commerce
*Toronto, Montreal, Vancouver, Calgary,
Winnipeg and Halifax*

Citibank, N.A.
New York

Annual and Special General Meeting

The annual and special general meeting of the shareholders will be held at the Royal York Hotel, Toronto, on Tuesday, May 30, 1978 at 11 o'clock in the morning.



(incorporated under the laws of Canada)

**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING
OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of Shareholders of Brascan Limited will be held in the Ontario Room (Convention floor), Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Tuesday, May 31, 1977, at 11:00 a.m. (Eastern Daylight Time) for the following purposes:

1. to receive the report of the directors and the financial statements for the past fiscal year;
2. to elect directors;
3. to appoint auditors and authorize the directors to fix their remuneration;
4. to consider and if thought fit to sanction, with or without variation, By-law No. 38 relating to restrictions on transfer and issuance of shares of the Company;
5. to consider and if thought fit to sanction, with or without variation, By-law No. 39 decreasing the number of directors of the Company;
6. to transact such further and other business as may properly come before the meeting.

Only holders of registered voting shares of record at the close of business on May 1, 1977 and bearers of share warrants issued on or prior to that date who shall have deposited the same in the manner referred to in the published notice of the meeting will be entitled to vote or appoint a proxy to vote at the meeting. A proxy must be appointed by instrument in writing deposited with the Secretary of the Company on or before May 27, 1977.

If you are unable to attend the meeting in person, kindly sign the enclosed form of instrument appointing a proxy and return it as soon as possible. An addressed envelope for the return of the proxy form is enclosed.

By Order of the Board

L. A. ALLEN
Secretary.

Box 48
Commerce Court Postal Station
Toronto, Canada M5L 1B7
April 28, 1977

NOTE: The proxy form is enclosed in the pocket of the large envelope.

PROXY INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of **Brascan Limited** (the Company) of proxies to be used at the Annual and Special General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost and in the United States of America by Georgeson & Co., 100 Wall Street, New York, N.Y., at an anticipated cost of \$7,500. The total cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company on or before May 27, 1977.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons named in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions contained therein **and, in the absence of instructions, will be voted for the election of directors and the appointment of auditors as stated under those headings in this circular, and in favour of the resolutions sanctioning By-laws Nos. 38 and 39.** With respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES

As of the date of this circular, the following numbers of shares are entitled to be voted at the meeting: 24,344,252 Class A convertible ordinary shares without nominal or par value and 1,631,716 Class B convertible ordinary shares without nominal or par value, each carrying the right to one vote per share; 1,400,000 Preferred shares each carrying the right to one vote per share; and 929 cumulative preference shares of the par value of \$100 each, carrying the right to eight votes per share, so that the aggregate number of votes attaching to all the outstanding shares is 27,383,400.

The Company has been declared a constrained-share company within the meaning of the Canada Corporations Act. The purpose of these constraints is to restrict the issue and transfer of the Company's voting shares so as to assure that not more than 49% of the Company's outstanding voting shares are controlled by non-Canadians as a group, and not more than 10% of such shares are controlled by any one non-Canadian or by an associated group of non-Canadians.

The directors have fixed May 1, 1977 as the record date for the determination of the persons entitled to vote at the meeting and accordingly the only persons entitled to attend and vote at the meeting or to be represented thereat by proxy will be (a) registered shareholders of record at the close of business on May 1, 1977, and (b) bearers of share warrants issued on or prior to the record date who shall have deposited the same and obtained a voting certificate in respect thereof in accordance with the conditions governing share warrants to bearer established by the by-laws of the Company and referred to in the published notice of the meeting.

ELECTION OF DIRECTORS

By-law No. 39, if sanctioned by at least two-thirds of the votes cast at the meeting, will decrease the number of directors from twenty-two to nineteen, of whom seven hold office until 1978, six hold office until 1979, and six are to be elected at this meeting to hold office until the annual meeting in 1980.

The following table sets out the name of each of the persons proposed to be nominated for election as a director to hold office until the annual meeting in 1980; all other major positions and offices in the Company or any of its significant affiliates now held by him; his principal occupation or employment; the year in which he was first elected a director; and, with note (1), the approximate number of shares of each class of the Company that he has advised are beneficially owned by him, directly or indirectly, on the date hereof. Subject to the sanctioning of By-law No. 39, the persons named in the enclosed form of proxy intend to vote for the election of the said nominees, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

	Became Director	Class A Ordinary Shares
J. H. A'COURT, of Toronto, Canada, is Senior Financial Consultant to the Company.	1967	1,147 Note (1)
A. W. FARMILO, of Calgary, Canada, is a Vice-President of the Company; President of Brascan Resources Limited, Chairman of Western Mines Limited and Vice-President of Great Lakes Power Corporation Limited.	1974	7,790
*E. C. FREEMAN-ATTWOOD, of Toronto, Canada, is President and Chief Operating Officer of the Company; Chairman of Brascan Resources Limited and of Great Lakes Power Corporation Limited; a director of Western Mines Limited and of Jonlab Investments Limited.	1973	13,310
JOHN F. GALLAGHER, of Chicago, U.S.A., is Vice-President—International Operations, Sears, Roebuck and Co., retail merchants.	1965	1,876
LEWIS B. HARDER, of New York City, U.S.A., is Chairman of the Board of International Mining Corporation, and of Molybdenum Corporation of America, mining, refining and metal fabrication companies.	1965	300
**RUSSELL E. HARRISON, of Toronto, Canada, is Chairman and Chief Executive Officer of Canadian Imperial Bank of Commerce.	1975	300

There is set out below the name of each person who is now a director and whose term of office will continue after the meeting; all other major positions and offices in the Company or any of its significant affiliates now held by him; his principal occupation or employment; the year in which he was first elected a director; and, with note (1) the approximate number of shares of each class of the Company that he has advised are beneficially owned by him, directly or indirectly, on the date hereof.

<u>Holding office until the annual meeting in 1978:</u>	Became Director	Class A Ordinary Shares
LOUIS A.-LAPOINTE, of Montreal, Canada, one of Her Majesty's Counsel, is Chairman of the Board of Miron Company Ltd., manufacturers of cement products, concrete suppliers and general contractors.	1969	1,096
*A. J. LITTLE, of Toronto, Canada, is a director of a number of companies.	1974	2,000 (Note 1)
*A. J. MACINTOSH, of Toronto, Canada, one of Her Majesty's Counsel, is a partner of Blake, Cassels & Graydon.	1970	816

<u>Holding office until the annual meeting in 1978:</u>	<u>Became Director</u>	<u>Class A Ordinary Shares</u>
*PAUL E. MANHEIM, of New York City, U.S.A., is a limited partner of Lehman Brothers, investment bankers.	1961	6,086
WILLIAM J. MANNING, of New York City, U.S.A., is a partner in the law firm of Simpson Thacher & Bartlett.	1970	220
*J. H. MOORE, of London, Canada, is Chairman and Chief Executive Officer of the Company.	1969	42,301
JOHN G. PHILLIMORE, of London, England, is a director of a number of companies.	1949	3,025

<u>Holding office until the annual meeting in 1979:</u>	<u>Became Director</u>	<u>Class A Ordinary Shares</u>
THIERRY BARBEY, of Geneva, Switzerland, is Managing Partner of Lombard, Odier & Cie, investment bankers.	1965	1,592
ANTONIO GALLOTTI, of Rio de Janeiro, Brazil, is President of Brascan—Administração e Investimentos Ltda. in Brazil, and a Vice-President of the Company.	1956	39
J. PETER GRACE, of New York City, U.S.A., is President and Chief Executive Officer of W. R. Grace & Co., a major industrial company with international chemical, food, consumer products and petroleum interests.	1959	1,597
N. E. HARDY, of London, Canada, is Vice-Chairman of the Board of John Labatt Limited, a food and beverage company; Chairman of Jonlab Investments Limited.	1970	13,265
R. F. LEWARNE, of Toronto, Canada, is a Vice-President of the Company; director of Great Lakes Power Corporation Limited.	1973	Note (1)
W. R. MILLER, of Toronto, Canada, is Vice-President, Finance of the Company; Vice-President, Finance of Great Lakes Power Corporation Limited; a director of Brascan Resources Limited and of Jonlab Investments Limited.	1976	1,000 Note (1)

*Member (**alternate member) of the Executive Committee

NOTES:

- (1) Class B convertible ordinary shares are also beneficially owned by each of the following: Mr. A'Court, 15,000; Mr. Lewarne, 16,375; Mr. Little, 3,000; and Mr. Miller, 4,000.
- (2) In addition to the directors named above, Messrs. Hermann J. Abs, Henry Borden and W. C. Harris are honorary directors.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company provides directors' and officers' liability insurance with a policy limit of \$10,000,000 per occurrence subject to a deductible of \$20,000 per occurrence and 5 per cent of the amount of each loss up to \$1,000,000. Under this insurance coverage the Company is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers and individual directors and officers are reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Company. Protection is provided to directors and officers for acts, errors or omissions done or committed during the course of their duties as such. This insurance excludes from coverage illegal acts and those acts which result in personal profit. The portion of premium allocated to the last completed year was \$47,421, all of which was paid by the Company.

DIRECTORS' AND OFFICERS' REMUNERATION

	Nature of remuneration earned					
	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of Directors as such						
(A) Number of Directors: 25						
(B) Body Corporate incurring the expense:						
Brascan Limited	\$161,970	Nil	Nil	Nil	Nil	\$ 161,970
Jonlab Investments Limited		\$ 25,368	Nil	Nil	Nil	25,368
Remuneration of Officers as such						
(A) Number of Officers: 18						
(B) Body Corporate incurring the expense:						
Brascan Limited	Nil	\$1,104,601	\$50,735	Nil	Nil	\$1,155,336
Brascan International Finance Corporation S.A.	Nil	100,000	Nil	Nil	Nil	100,000
Brascan—Administração e Investimentos Ltda.	Nil	62,439	Nil	Nil	Nil	62,439
Brascan Resources Limited	Nil	88,431	Nil	Nil	Nil	88,431
TOTALS	\$161,970	\$1,380,839	\$50,735	Nil	Nil	\$1,593,544

Estimated aggregate cost to the Company and its subsidiaries in 1976 of all pension benefits proposed to be paid to the officers of the Company under any normal pension plan in the event of retirement at normal retirement age was \$51,791.

NOTE: Amounts shown above are in United States Currency.

Since January 1, 1976, officers of the Company subscribed for Class A convertible ordinary shares under the Company's Executive Share Purchase Plan as follows:

Shares subscribed for	Date of Allotment	Price per Share	Price range in preceding 30-day period	
			High	Low
5,000	June 4, 1976	\$10.74	\$11½	\$10¾

INDEBTEDNESS TO THE COMPANY

As of the date hereof, the following officers of the Company are indebted to the Company on account of interest-free loans in connection with the purchase of their residences:

Name of officer	Outstanding Amount	
	Largest Aggregate Amount since January 1, 1976	Present Balance
R. H. Eldridge	\$ 23,333	\$ 19,583
R. F. Lewarne	19,830	17,730

As of the date hereof, the following officers of the Company are indebted to the Company on account of interest-free loans made in accordance with the Executive Share Purchase Plan of the Company:

Name of officer	Outstanding Amount	
	Largest Aggregate Amount Since January 1, 1976	Present Balance
E. C. Freeman-Attwood	\$188,658	\$175,968
R. F. Lewarne	117,911	109,980
A. W. Farmilo	117,383	109,451
J. P. Zachary	92,437	86,461
W. R. Miller	64,058	59,951
L. D. Blachford	51,682	48,241
R. H. Eldridge	39,304	36,660
B. M. Howard	38,951	36,308
R. R. Sutherland	21,362	18,189
L. A. Allen	15,581	14,523

SPECIAL GENERAL MEETING

The meeting is called as a Special General Meeting of shareholders for the purpose of sanctioning By-law No. 38, confirmed by the directors on August 31, 1976, and By-law No. 39, enacted by the directors on March 22, 1977.

By-law No. 38 was enacted to carry out the intent of the constrained share provisions attaching to the shares of the Company. The by-law authorizes the directors to require declarations with respect to such matters as the directors may deem relevant for the purpose of giving effect to such provisions from shareholders and any person desiring to have a transfer of a share made or recorded in the register of the Company or desiring to subscribe for a share of the Company.

The purpose of By-law No. 39 is to decrease the number of directors from twenty-two to nineteen.

A copy of By-law No. 38 and of By-law No. 39 accompanies this Circular.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote in favour of a resolution re-appointing Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration of the auditors.

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the directors of the Company.

Dated as of April 12, 1977.

L. A. ALLEN
Secretary

BY-LAW NO. 38

A BY-LAW RELATING TO RESTRICTIONS ON TRANSFER
AND ISSUANCE OF SHARES OF THE COMPANY

BE IT AND IT IS HEREBY ENACTED as a by-law of BRASCAN LIMITED (hereinafter called the "Company") as follows:

1. Requirement to Submit Declaration

The board of directors of the Company may from time to time require either in a particular case or generally

- (a) any person in whose name a share of the Company is held to submit a statutory declaration, certificate or any other instrument or document of such person (the "Declaration") in such form as the board may from time to time prescribe:
 - (i) with respect to his direct or indirect ownership of any shares of the Company;
 - (ii) whether the shareholder or any person in whose right or for whose use or benefit the share is held is a "non-Canadian" as defined in the Special Provisions Applicable to Constrained-Share Companies set out in the schedule to the Canada Corporations Act;
 - (iii) whether the shareholder or the person in whose right or for whose use or benefit the share is held is associated with any other shareholder; and
 - (iv) with respect to such other matters as the directors may deem relevant for the purposes of giving effect to the constrained-share provisions attaching to the shares of the Company; and
- (b) any person desiring to have a transfer of a share to him made or recorded in the register of the Company or desiring to subscribe for a share of the Company to submit a Declaration as may be required pursuant to this section in the case of a shareholder.

2. Where Declaration Pending

2.1 VOTING OF SHARE

Where any person in whose name a share of the Company is registered fails to give the Declaration which may be required to be submitted by him in accordance with section 1 within the period of time prescribed by the notice requiring him to give such Declaration, such person shall not be entitled to vote at any meeting of the shareholders held thereafter unless he provides such Declaration to the Company at least 48 hours before the next meeting at which he desires to vote is held.

2.2 TRANSFER OR SUBSCRIPTION

Where the directors have required a Declaration in accordance with section 1 to be submitted in respect of the transfer of or subscription for any share or shares, the directors may refuse to allow such transfer to be made or recorded in the register of the Company or to accept such subscription until a Declaration satisfactory to the directors has been submitted to them.

ENACTED this 20th day of July, 1976.

WITNESS the corporate seal of the Company.



E. C. FREEMAN-ATTWOOD
President

L. A. ALLEN
Secretary

BY-LAW NO. 39

**A BY-LAW DECREASING THE NUMBER OF DIRECTORS
OF THE COMPANY**

BE IT ENACTED as a by-law of the Company as follows:

- (1) The number of directors of the Company is hereby decreased from twenty-two to nineteen so that the board of directors of the Company shall hereafter be composed of nineteen directors, of whom three shall constitute a quorum.
- (2) All prior by-laws, resolutions and proceedings of the Company inconsistent herewith are hereby amended, modified and revised in order to give effect to this by-law.

ENACTED this 22nd day of March, 1977.

WITNESS the corporate seal of the Company.



J. H. MOORE
Chairman of the Board

L. A. ALLEN
Secretary

RÈGLEMENT VISANT À DIMINUER LE NOMBRE DES ADMINISTRATEURS
DE LA COMPAGNIE

QU'IL SOIT STATUÉ comme règlement de la Compagnie ce qui suit:

1. Le nombre des administrateurs de la Compagnie est diminué, par les présentes, de vingt-deux à dix-neuf, de sorte que le Conseil d'administration de la Compagnie se compose de dix-neuf administrateurs dont trois d'entre eux constituent un quorum.
2. Tous les règlements, résolutions et délibérations antérieures de la Compagnie incompatibles avec le précédent règlement sont révisés et modifiés en vertu des présentes de façon à faire entrer ce règlement en vigueur.

PROMULGUÉ ce 22 mars 1977.

EN FOI DE QUOI nous apposons le sceau de la Compagnie.



J. H. MOORE
Président du Conseil d'administration

L. A. ALLEN
Secrétaire

RÈGLEMENT PORTANT SUR DES RESTRICTIONS IMPOSÉES
AU TRANSFERT ET À L'ÉMISSION DES ACTIONS DE LA COMPAGNIE

QU'IL SOIT STATUÉ PAR LES PRÉSENTES comme règlement de BRASCAN LIMITED (ci-après appelée la "Compagnie") ce qui suit:

1. Demande de présentation d'une déclaration

Le Conseil d'administration de la Compagnie peut demander de temps à autre, soit dans un cas particulier soit dans un cas général,

- (a) à toute personne au nom de laquelle une action de la Compagnie est détenue de présenter une déclaration ou un certificat statutaire, ou tout autre instrument ou document de telle personne (la "déclaration") sous la forme que ledit Conseil pourrait prescrire de temps à autre,
- (i) ayant trait à la participation directe ou indirecte de telle personne à toutes actions de la Compagnie;
- (ii) à savoir si l'actionnaire ou toute personne au nom de laquelle ou pour l'usage ou le profit de laquelle l'action est détenue est un "non-Canadien", tel qu'il est défini dans les dispositions spéciales applicables aux compagnies par actions à participation restreinte et établies dans l'annexe à la Loi sur les corporations canadiennes;
- (iii) à savoir si l'actionnaire ou la personne au nom de laquelle ou pour l'usage ou le profit de laquelle l'action est détenue est associée à tout autre actionnaire; et
- (iv) ayant trait à toute autre question que les administrateurs pourraient juger pertinente dans le but de donner effet aux dispositions applicables aux actions à participation restreinte auxquelles sont soumises les actions de la Compagnie; et

- (b) à toute personne voulant que le transfert d'une action fait en son nom soit effectué ou inscrit au registre de la Compagnie, ou voulant souscrire une action de la Compagnie, de présenter une déclaration tel qu'il pourrait être exigé dans le cadre du présent chapitre lorsqu'il s'agit d'un actionnaire.

2. Dans le cas où la déclaration est en attente

2.1 DROIT DE VOTE

S'il arrivait que toute personne au nom de laquelle une action de la Compagnie est inscrite au registre négli-geait de présenter la déclaration que ladite personne se doit de présenter en vertu du chapitre I et ce, dans la période de temps prescrite dans l'avis lui demandant de présenter une telle déclaration, ladite personne n'aurait aucun droit de vote lors de toute assemblée des actionnaires ayant lieu ultérieurement, à moins que cette personne ne présente une telle déclaration à la Compagnie au moins 48 heures avant que n'ait lieu la prochaine assemblée à laquelle cette personne désire voter.

2.2 TRANSFERT OU SOUSCRIPTION

Si les administrateurs ont exigé la présentation d'une déclaration en vertu du chapitre au sujet de tout trans-fert d'une ou de plusieurs actions ou de toute souscription à une ou plusieurs actions, les administrateurs pourraient refuser que tel transfert soit effectué ou inscrit au registre de la Compagnie ou que telle souscrip-tion soit acceptée et ce, jusqu'à ce qu'une déclaration leur soit présentée à leur satisfaction.

PROMULGUÉ ce 20 juillet 1976.

EN FOI DE QUOI nous apposons le sceau de la Compagnie.



E. C. FREEMAN-ATTWOOD

Le président

L. A. ALLEN

Le secrétaire

REDEVANCES ENVERS LA COMPAGNIE

À ce jour, les directeurs ci-après sont redevables envers la Compagnie du montant de prêts sans intérêts concen-
tis par celle-ci pour l'achat de leur résidence:

Montant recouvrable		
Montant global		
le plus élevé depuis		
le 1 ^{er} janvier 1976		
Solde		
actuel		
R. H. Eldridge	\$ 23,333	\$ 19,583
R. F. Lewarne	19,830	17,730

À ce jour, les membres de la direction dont les noms suivent ont une dette envers la Compagnie au chapitre des prêts sans intérêt effectués conformément aux dispositions régissant le Plan d'achat d'actions de la Compagnie.

Montant recouvrable		
Montant global		
le plus élevé depuis		
le 1 ^{er} janvier 1976		
Solde		
actuel		
E. C. Freeman-Attwood	\$188,658	\$175,968
R. F. Lewarne	117,911	109,980
A. W. Farnilo	117,383	109,451
J. P. Zachary	92,437	86,461
W. R. Miller	64,058	59,951
L. D. Blachford	51,682	48,241
R. H. Eldridge	39,304	36,660
B. M. Howard	38,951	36,308
R. R. Sutherland	21,362	18,189
L. A. Allen	15,581	14,523

ASSEMBLEE GÉNÉRALE EXTRAORDINAIRE

La réunion aura lieu en tant qu'assemblée générale extraordinaire des actionnaires dans le but d'approuver le règlement N° 38 adopté par les administrateurs de la Compagnie le 31 août 1976, ainsi que le règlement N° 39 décrété par les administrateurs de la Compagnie le 22 mars 1977.

Le règlement N° 38 fut décrété dans le but de mettre à exécution les dispositions applicables aux actions à participation restreinte auxquelles sont soumises les actions de la Compagnie. Ledit règlement autorise les administrateurs à exiger des déclarations portant sur des questions que les administrateurs pourraient juger pertinentes, dans le but de donner effet à telles dispositions, auprès des actionnaires et de toute personne voulant que le transfert d'une action soit effectué ou inscrit au registre de la Compagnie ou voulant souscrire une action de la Compagnie.

Le règlement N° 39 a pour but de diminuer de vingt-deux à dix-neuf le nombre des administrateurs. Des copies du règlement N° 38 et du règlement N° 39 sont jointes à la présente circulaire.

NOMINATION DES VÉRIFICATEURS

Les personnes désignées dans la formule de procuration ci-jointe ont l'intention de voter en faveur d'une résolution prorogeant les fonctions de MM. Clarkson, Gordon & Co., Comptables agréés, comme vérificateurs de la Compagnie jusqu'à la prochaine assemblée annuelle des actionnaires, et autorisant les membres du Conseil à fixer la rémunération des vérificateurs.

APPROBATION DES ADMINISTRATEURS

Le contenu et l'envoi de cette circulaire ont été approuvés par les administrateurs de la Compagnie.

Le secrétaire
L. A. ALLEN

En date du 12 avril 1977.

ASSURANCE-RESPONSABILITE POUR LES ADMINISTRATEURS ET LES MEMBRES DE LA DIRECTION

La Compagnie pourvoit ses administrateurs et membres de la direction d'une assurance-responsabilité de \$10,000,000 maximum par survenance, sous réserve d'une franchise de \$20,000 par survenance et de 5 pour cent du montant de chaque perte, jusqu'à concurrence de \$1,000,000. En vertu de cette protection, la Compagnie est remboursée de tous les paiements effectués au nom de ses administrateurs et membres de la direction, conformément aux dispositions relatives à l'indemnisation des compagnies; les administrateurs et les membres de la direction sont remboursés de toutes les pertes découlant de l'exercice de leurs fonctions et pour lesquelles ils ne sont pas indemnisés par la Compagnie. Les administrateurs et les membres de la direction sont protégés contre tout acte, erreur ou omission commis durant l'exercice de leurs fonctions comme telles. Cette protection ne s'étend pas aux actes illégaux ou aux actes qui résultent en un profit personnel. La partie de la prime affectée au dernier exercice complet était de \$47,421 qu la Compagnie a acquittée entièrement.

RÉMUNÉRATION DES ADMINISTRATEURS ET DES MEMBRES DE LA DIRECTION

Nature de la rémunération						
Honoraires des administrateurs	traiteurs	Traitements	Boni	Allocation de frais non comp-tabilisée	Autres	Total
\$161,970	Néant	Néant	Néant	Néant	Néant	\$ 161,970
	\$ 25,368	Néant	Néant	Néant	Néant	25,368
\$1,104,601	\$50,735	Néant	Néant	Néant	Néant	\$1,155,336
Néant	Néant	100,000	Néant	Néant	Néant	100,000
Néant	Néant	62,439	Néant	Néant	Néant	62,439
Néant	Néant	88,431	Néant	Néant	Néant	88,431
\$161,970	\$1,380,839	\$50,735	Néant	Néant	Néant	\$1,593,544

Rémunération des administrateurs
comme tels:
(A) Nombre d'administrateurs: 25
(B) Personne juridique assumant les dépenses:
Brascan Limited
Jonlab Investments Limited
Rémunération des membres de la direction comme tels
(A) Nombre de membres de la direction: 18
(B) Personnes juridiques assumant les dépenses:
Brascan Limited
Brascan International Finance Corporation S.A.
Brascan—Administração e Investimentos Ltda.
Brascan Recursos Limited
TOTALUX

Le coût global estimatif, pour la Compagnie et ses filiales 1976, de toutes les prestations de retraite destinées aux membres de la direction de la Compagnie en vertu de tout régime de retraite couvrant et payables à l'âge normal de la retraite, était de \$51,791.

NOTE: Les montants indiqués sont exprimés en dollars américains.

Depuis le 1^{er} janvier 1976, les membres de la direction ont acquis des actions convertibles ordinaires, classe A, aux termes du Plan d'achat d'actions pour les cadres supérieurs de la Compagnie, tel qu'indiqué ci-après:

Actions souscrites pour	5,000	4 juin 1976	\$10.74	\$11%	\$10%
		Date de l'attribution	Prix par action	Haut	Bas
				les 30 jours précédents pendant	Flnctuation de la valeur

En fonction jusqu'à l'assemblée annuelle de 1978:

Actions ordinaires de classe A	Adminis- trateur depuis	
1,096	1969	LOUIS A.-LAPOINTE, de Montréal, Canada, Conseiller de la Reine, est président du conseil de la Compagnie Miron Ltée, fabricants de ciment et de produits en ciment, fournis- seurs de béton et entrepreneurs généraux.
2,000	1974	*A. J. LITTLE, de Toronto, Canada, est administrateur de plusieurs compagnies.

(Note 1)

816	1970	*A. J. MACINTOSH, de Toronto, Canada, Conseiller de la Reine, est associé de Blake, Cassels & Graydon.
6,086	1961	*PAUL E. MANHEIM, de New York, E.-U., est associé commanditaire de Lehman Brothers, banquiers en valeurs mobilières.
220	1970	WILLIAM J. MANNING, de New York, E.-U., est associé de Simpson Thacher & Bartlett (avocats).
42,301	1969	*J. H. MOORE, de London, Canada, est président du conseil et chef de la direction de la Compagnie.
3,025	1949	JOHN G. PHILLIMORE, de Londres, Angleterre, est administrateur de plusieurs sociétés.

En fonction jusqu'à l'assemblée annuelle de 1979:

Actions ordinaires de classe A	Adminis- trateur depuis	
1,592	1965	THIERRY BARBEY, de Genève, Suisse, est associé gérant de Lombard, Odier & Cie, ban- quiers de placement.
39	1956	ANTONIO GALLOTTI, de Rio de Janeiro, Brésil, est président de Brascan—Administratão e Investimentos Ltda., au Brésil, et vice-président de la Compagnie.
1,597	1959	J. PETER GRACE, de New York, E.-U., est président et chef de la direction de W. R. Grace & Co., importante société industrielle ayant des participations dans des entrepri- ses de produits chimiques, alimentaires, de consommation et pétroliers sur le plan international.
13,265	1970	N. E. HARDY, de London, Canada, est vice-président du conseil de John Labatt Limitée, une compagnie de boissons et de produits alimentaires; président du conseil de Jonlab Investments Limited.
Note (1)	1973	R. F. LEWARNE, de Toronto, Canada, est une vice-présidents de la Compagnie; adminis- trateur de la Great Lakes Power Corporation Limited.
1,000	1976	W. R. MILLER, de Toronto, Canada, est vice-président, finances, de la Compagnie; vice- président, finances, de la Great Lakes Power Corporation Limited; administrateur de Brascan Ressources Limited, et de Jonlab Investments Limited.

*Membre (**membre alterné) du comité exécutif.

NOTES:

- (1) Les personnes suivantes sont en outre titulaires bénéficiaires d'actions ordinaires convertibles de classe B:
M. A'Court, 15,000; M. Lewarne, 16,375; M. Little, 3,000; et M. Miller, 4,000.
- (2) Aux administrateurs susmentionnés s'ajoutent MM. Hermann J. Abs, Henry Borden et W. C. Harris, administra-
teurs honoraires.

Les administrateurs ont fixé la date du 1^{er} mai 1977 pour la détermination des personnes appelées à exercer le droit de vote à l'Assemblée, et par conséquent les seules personnes qui auront le droit d'assister et d'exercer le droit de vote à l'Assemblée, ou d'y être représentées par des procureurs, seront (a) les actionnaires qui se trouveront inscrits au registre à la fermeture des bureaux le 1^{er} mai 1977 et (b) les porteurs de warrants émis le ou avant le jour fixé pour la détermination des personnes qui auront le droit d'assister et de voter à l'Assemblée et qui auront déposé ces warrants et obtenu un certificat de vote à l'égard desdits warrants, conformément aux conditions régissant les warrants au porteur qui ont été établis par les règlements de la Compagnie et dont il est fait mention dans l'avis publié de convocation de l'Assemblée.

ELECTION DES ADMINISTRATEURS

Le règlement No 39 s'il est adopté par au moins les deux tiers des voix exprimées lors de l'Assemblée, diminuera de vingt-deux à dix-neuf le nombre des administrateurs, dont sept seront en fonction jusqu'en 1978, six jusqu'en 1979 et six, à élire lors de l'Assemblée, jusqu'à l'Assemblée annuelle de 1980.

Le tableau ci-après donne les noms de toutes les personnes proposées à l'élection comme administrateurs jusqu'à la convocation annuelle de 1980, toutes les autres positions et fonctions importantes occupées par chacune d'elles à la Compagnie ou dans une des principales compagnies affiliées, leur profession ou leur occupation principale, l'année où elles ont été élues pour la première fois au Conseil et, avec la note (1), le nombre approximatif d'actions de chaque classe, de la Compagnie, dont elles ont rapporté être les possesseurs à titre bénéficiaire, directement ou indirectement, à la date des présentes. Sous réserve de l'adoption du règlement No 39, les personnes désignées dans la formule de procuration ci-jointe ont l'intention de voter pour l'élection desdits candidats qui sont tous actuellement membres du Conseil d'administration et l'ont été depuis les dates indiquées. La direction n'envisage pas qu'aucun des candidats désignés soit incapable d'assumer ses fonctions mais, si cela se produisait pour n'importe quelle raison, avant l'Assemblée, les personnes désignées dans la formule de procuration se réservent le droit de voter pour tout autre candidat de leur choix.

Administrateurs ordinaires	Actions de classe A
J. H. A' COURT, de Toronto, Canada, est conseiller financier principal de la Compagnie.	1967 1,147
Note (1)	
A. W. FARMILLO, de Calgary, Canada, est l'un des vice-présidents de la Compagnie; président de Brascan Resources Limited; président du conseil d'administration de Western Mines Limited et vice-président de la Great Lakes Power Corporation Limited.	1974 7,790
* E. C. FREEMAN-ATTWOOD, de Toronto, Canada, est président et chef de l'exploitation de la Compagnie; président du conseil d'administration de Brascan Resources Limited et de la Great Lakes Power Corporation Limited; administrateur de Western Mines Limited et de Jonlab Investments Limited.	1973 13,310
JOHN F. GALLAGHER, de Chicago, E.-U., est vice-président, opérations internationales, de Sears, Roebuck and Co., marchands détaillants.	1965 1,876
LEWIS B. HARDER, de New York, E.-U., est président du conseil d'International Mining Corporation et de Molybdenum Corporation of America, sociétés d'exploitation minière, de raffinage et de transformation des métaux.	1965 300
** RUSSELL E. HARRISON, de Toronto, Canada, est président du conseil et administrateur délégué de la Banque de Commerce Canadienne Impériale.	1975 300

On trouvera ci-dessous le nom de toutes les personnes qui font actuellement partie du Conseil et qui restent en fonction après l'Assemblée, ainsi que toutes les autres positions et fonctions importantes qu'elles détiennent à la Compagnie ou dans une des principales compagnies affiliées de celle-ci, leur profession ou leur occupation principale, l'année où elles ont été élues pour la première fois au Conseil et, avec la Note (1), le nombre approximatif d'actions de chaque classe, de la Compagnie, dont elles ont rapporté être detentrices à titre bénéficiaire, directement ou indirectement, à la date des présentes.

CIRCULAIRE D'INFORMATION SUR LES PROCURATIONS

DEMANDE DE PROCURATIONS

La présente circulaire d'information vous est envoyée relativement à la demande de procurations de la direction de Brascan Limited (la Compagnie) pour l'assemblée générale annuelle et extraordinaire des actionnaires de la Compagnie. Il y a lieu de prévoir que cette demande de procurations sera faite surtout par la poste, mais elle pourra l'être également en personne, par des employés permanents de la Compagnie, à peu de frais et, aux Etats-Unis d'Amérique, par Georgeson & Co., 100 Wall Street, New York (N.Y.), moyennant des frais prévus de \$7,500. La Compagnie supportera entièrement le coût de cette demande.

NOMINATION DES PROCUREURS ET RÉVOCATION DES PROCURATIONS

Les personnes nommées dans la formule de procuration ci-incluse sont des administrateurs de la Compagnie. Un actionnaire, qui désire charger une personne autre que les personnes ainsi nommées de le représenter à l'assemblée, peut le faire, soit en inscrivant le nom de cette personne dans l'espace en blanc prévu à cette fin dans la formule de procuration, soit en remplissant une autre formule régulière de procuration, en communiquant, dans chacun des deux cas, la formule de procuration remplie au secrétaire de la Compagnie le 27 mai 1977 ou avant cette date.

Un actionnaire qui a donné une procuration peut la révoquer pour toute question au sujet de laquelle le droit de vote conféré par ladite procuration n'aura pas encore été exercé, au moyen d'un acte instrumentaire signé par lui, ou par son fondé de pouvoir mandaté par écrit ou, si l'actionnaire est une compagnie, portant la signature sociale de la compagnie ou celle d'un membre de la direction ou d'un fondé de pouvoir dûment mandatés de la compagnie, et délivré soit au siège social de la Compagnie, le ou avant le jour précédant la date de l'assemblée ou de tout ajournement de ladite assemblée pour lesquels ladite procuration a été donnée, soit au président de ladite assemblée le jour de ladite assemblée ou d'un ajournement de ladite assemblée.

EXERCICE DU POUVOIR DISCRETIONNAIRE CONFÉRÉ PAR LES PROCURATIONS

Les actions représentées par des procurations dûment signées en faveur des personnes désignées dans la formule de procuration ci-jointe voteront, ou seront empêchées de voter, d'après les instructions de ladite formule. À défaut d'instructions, elles voteront en faveur de l'élection des administrateurs et de la nomination des vérificateurs, de la manière prévue sous les titres correspondants de cette circulaire, ainsi que pour la résolution sanctionnant les Règlements N° 38 et N° 39. Relativement aux modifications ou amendements à des questions mentionnées dans l'avis de convocation et relativement aux autres questions dont l'assemblée pourra être dûment saisie, les personnes ainsi nommées exerceront, selon leur pouvoir discrétionnaire, le droit de vote attaché auxdites actions. Au moment de l'impression de la présente circulaire, la direction de la Compagnie n'est informée d'aucune modification, amendement ou autre question de cette nature dont l'assemblée doit être saisie.

ACTIONS DONNANT LE DROIT DE VOTE

À la date de cette circulaire, le nombre d'actions suivant donnant droit de vote à l'assemblée: 24,344,252 actions ordinaires convertibles de classe A sans valeur nominale ou au pair, et 1,631,716 actions ordinaires convertibles de classe B sans valeur nominale ou au pair, chacune donnant droit à un vote par action; 1,400,000 actions privilégiées chacune donnant droit à un vote par action; ainsi que 929 actions privilégiées à dividende cumulatif d'une valeur au pair de \$100 chacune, donnant droit à huit votes par action, en sorte que le nombre global de votes afférents à toutes les actions en circulation s'élève à 27,383,400.

La Compagnie a été déclarée une Société par actions à participation restreinte selon la définition qu'en donne la Loi sur les corporations canadiennes. Cette restriction a pour but de restreindre l'émission et le transfert des actions de la Compagnie donnant droit de vote afin de s'assurer qu'il n'y a pas plus de 49% des actions en circulation donnant droit de vote de la Compagnie sous le contrôle de non-Canadiens en tant que groupe, et qu'il n'y a pas plus de 10% de telles actions sous le contrôle de tout non-Canadien ou de tout groupe associé composé de non-Canadiens.

AVIS D'ASSEMBLEE ANNUELLE GENERALE ET SPECIALE DES ACTIONNAIRES

AVIS EST DONNE PAR LES PRESENTES que l'assemblée annuelle, générale et spéciale, des actionnaires de Brascan Limited se tiendra dans la salle Ontario (étage des congrès) de l'hôtel Royal York, 100 Front Street West, Toronto, Ontario, Canada le jeudi 31 mai 1977 à 11 heures (heure avancée de l'Est), avec l'ordre du jour ci-après:

1. Présentation du rapport des administrateurs et des états financiers pour l'exercice fiscal écoulé;
2. Election des administrateurs;
3. Nomination des vérificateurs et autorisation aux administrateurs de fixer leur rémunération;
4. Etudier et, si on le juge opportun, sanctionner avec ou sans modifications règlement No. 38 portant sur des restrictions imposées au transfert et à l'émission des actions de la Compagnie;
5. Etudier et, si on le juge opportun, sanctionner avec ou sans modifications règlement No. 39 aux fins de diminuer le nombre des administrateurs de la Compagnie;
6. Traiter de tous autres sujets qui seraient dûment présentés à l'assemblée.

Seuls les détenteurs d'actions inscrites ayant droit de vote à la fermeture des marchés, le 1^{er} mai 1977, ainsi que les porteurs de certificats d'actions émis, au plus tard, à cette date et qui les auront déposés de la manière prescrite dans l'avis public d'assemblée auront le droit de voter ou de désigner un mandataire pour voter à leur place. Les mandataires doivent être nommés par un acte écrit déposé chez le secrétaire de la compagnie, le 27 mai 1977 au plus tard.

Les personnes incapables d'assister personnellement à l'assemblée sont priées de signer la formule de procuration ci-jointe et de la retourner aussitôt que possible. Une enveloppe de réponse adressée est jointe aux présentes.

Au nom du Conseil

Le secrétaire
L. A. ALLEN

Box 48
Commerce Court Postal Station
Toronto, Canada M5L 1B7
avril 28, 1977

REMARQUE: La formule de procuration se trouve dans la pochette de la grande enveloppe.

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